





## EUROPEAN NEWS

## Differences in performance threaten EEC

BY JOHN WYLES IN BRUSSELS

A WARNING that economic and industrial differences between EEC members have now reached the point where they could bring the breakdown of the Community has been delivered by a group of experts charged with studying developments since the 1973 oil crisis.

The report highlights the emergence of two speeds of adaptation to the economic and industrial problems which have beset Western Europe since 1973. West Germany is out in front in coping with the impact of recent economic problems, says the report, followed by the Netherlands, Belgium and Denmark.

Italy and the UK bring up the rear, while France sits somewhere in between, winning high marks for progress in high technology centres and for

maintaining overall investment rates in difficult circumstances. But the general economic environment puts a question mark against France's ability to sustain its industrialisation and keep up with the high fliers, the report observes.

Ordered by the European Commission which is not, however, necessarily endorsing its conclusions, the report has been written by a group of independent economists from each of the nine member states under the chairmanship of M. R. Madauge, head of Belgium's Bureau du Plan.

Broadly, the authors find that membership of the European Community "snake"—the fore-runner of the European monetary system which was created a year ago—was an important factor in relative per-

formances between 1973 and 1978.

They argue that currency discipline has forced West Germany, Belgium, the Netherlands, and Denmark to maintain or improve their competitiveness in domestic and international markets through above average productivity gains, albeit at the expense of employment.

West German industry is said to be well ahead of its Community partners thanks to modest increases in internal production costs and a concentration on specialised products with a high technology input, requiring highly qualified labour.

Progress in Belgium, the Netherlands and Denmark has been less marked but, again, above average productivity gains have helped offset specific

sectoral problems. But Belgium has suffered through its dependence on steel and textiles, while the Netherlands has lacked sufficient strength in equipment goods and cars—industries least affected by post-1973 problems.

The difficulties of Italy and the UK were obviously uppermost in the group's thinking when they warned that widening differences of performance may not only hamper the EEC's progress but may even lead to a breakdown in the Community growth wider apart.

On the macro-economic level, the report says that both Italy and the UK have suffered similar problems of very low rates of investment, rapidly rising costs and deteriorating currency values. Italy's concen-

tration on activities which are less capital and more labour intensive than those of many of its partners has left it vulnerable to competition from low wage countries, the report warns.

It highlights the decline of the UK's manufacturing sector and the steady growth of service industries. Chemicals and data processing are identified as two of the stronger performing industries, but the report points out that British industry was declining when the 1973 crisis began and this reduced its capacity to adapt to subsequent events.

Opportunities offered by the depreciation of sterling during the 1970s have been missed. Both North Sea oil and its contribution to the balance of payments allows a breathing space to restructure industrial production.

## State aid plan for Sweden's air industry

By William Duffell in Stockholm

THE SWEDISH aircraft industry stands to receive up to SKr 675m (£71.4m) in state support to enable it to switch from military to civil production. This recommendation was made yesterday in the report from a special team appointed to study ways of preserving the industry's research and development capacity.

State backing could enable Saab-Scania to clinch an agreement with Fairchild of the U.S. for the joint development of a 30-seat feeder aircraft. Volvo Flygmotor, the aero-engine subsidiary of the vehicle group, could also finalise plans for co-operating with Garrett Corporation, another U.S. company, in developing jet and turbo-prop engines for business aircraft. Volvo Flygmotor, which makes engines under U.S. licences for the aircraft built by Saab for the Swedish air force, has already received a SKr 138m loan from the Government for a joint engine project with General Electric. The company is negotiating with other aero-engine makers on a third project.

The team was set up last year when government refusal to go ahead with a new light attack aircraft for the air force put in jeopardy some 1,700 jobs in Saab's design division and a smaller number in Volvo Flygmotor.

Earlier this month, the air force commander asked the Government to order a cheaper trainer/attack model, known as the SK2, which Saab has since submitted. But this contract would not be enough for Saab to keep its development staff intact.

After analysing other alternatives in the energy and transport fields, the team concludes that the Swedish manufacturers should concentrate on conversion to civil aircraft and space equipment. But, it stresses, civil aircraft production calls for a totally different marketing strategy and must be effected in co-operation with foreign companies.

The SKr 675m support package would be conditional on "commercially acceptable agreements" emerging from current negotiations. The team estimates that state finance could help to maintain 750 jobs in the industry's development divisions in 1982.

Saab has been working on a design for a twin turbo-prop feeder aircraft, designated the Transporter. Originally planned as a work horse for use in developing countries, the project is now aimed at the market for short-haul commuter aircraft which the company calculates will amount over the next decade to some 2,400 aircraft, mostly within the U.S.

This project is solidly endorsed in the team's report, which is reserved about several of the other suggestions put forward by the industry. Saab hopes to reach a development agreement with Fairchild in the near future.

Mr. Sten Gustafsson, Saab-Scania's managing director, welcomed the delegation report yesterday. He stressed that the Government finance proposed was in line with schemes operated in other West European countries.

## THE SINN FEIN CONFERENCE



Mr. Rory O'Brady addresses the conference.

## Old guard face the 'Belfast lefties'

BY STEWART DALRYMPLE IN DUBLIN

INDICATIONS that Provisional Sinn Féin—the political wing of the Provisional Irish Republican Army (IRA)—is developing a Socialist strain emerged last weekend at its annual conference in Dublin.

At the meeting, Mr. Rory O'Brady, the Sinn Féin President, proclaimed old-fashioned republicanism and announced that the armed struggle against the British in Northern Ireland must continue. But Mr. Jerry Adams, a leading activist from Belfast, said that only a political solution could solve Ulster's problems.

To say that the party has profound ideological splits would be putting it too strongly. Nevertheless, there have been signs which again surfaced at the conference that there are differences between the old guard of the Southern based leaders like Mr. O'Brady and Mr. David O'Connell, the Vice-President on the one hand and Mr. Adams, another vice-president, on the other hand.

In particular there have been persistent allegations, some of them emanating from the Northern Ireland Office and the British Army, that the younger Northern Ireland based leaders, so called "Belfast lefties" which would include Gerry Adams, are trying to turn the Provisionals into a Marxist organisation. The argument runs that it would then become a threat to the Government of reunification.

## Soares triumphant after Socialist heart-searching

BY JIMMY BURNS IN LISBON

PORTUGAL'S main opposition grouping, the Socialist party, has emerged from an internal crisis to confirm Dr. Mario Soares as undisputed leader. It also intends to base future strategy on a more pragmatic middle-ground course, clearly distanced from the Communists.

A weekend meeting of the party's main representative body, the 150-man national commission, rejected outright a proposal to hold an extraordinary congress. The congress would have satisfied a section of the party's rank and file which wishes to make the leadership more accountable.

The commission also voted for a reshuffle of the 15-man secretariat, the party's main executive arm. Three prominent left-wingers, Sr. Jaime Gama, Sr. Manuel Alegre and Sr. Tito

de Morais, have been removed, leaving the party leadership firmly in the hands of Dr. Soares and a moderate faction.

The Socialists have been locked in heart-searching debate since their humiliating defeat in both national and local elections last month.

The results led to a unanimous conclusion that the party's lack of definition, what divided the leadership and the rank and file was how the party should define itself in future.

Dr. Soares strenuously denied yesterday that there was any schism. Yet the weekend's purge has effectively put an end to his preferred image of the party as a grouping that can accommodate wide differences of opinion.

## Tito still in critical condition

By Aleksandar Lebi in Belgrade

DOCTORS TREATING 87-year-old President Tito, of Yugoslavia, said yesterday that he spent a quiet night after the amputation of his left leg on Sunday. His general state of health remains good, according to the bulletin issued by the eight man medical team, which warned, however, that his condition would be critical for three days. Some uncertainty about the chances of a full recovery would remain for three weeks.

Whatever the final outcome, the past two weeks have provided the occasion for a full-scale dress rehearsal of the procedure to be followed in the event of the President's death or incapacity.

Meanwhile, the authorities have moved fast to discount suggestions that the \$7bn held by Yugoslavia's nationals in special hard currency accounts in Yugoslav banks is about to be converted into dinars. The federal Government categorically denied any such intention and has backed this up by giving additional privileges to foreign exchange account holders. These provide easier access to building materials, cars, white goods, flats and other scarce items.

The central bank provides high interest rates and other incentives for Yugoslav workers abroad, in particular, to repatriate their savings and so help ease Yugoslavia's foreign currency shortage. Statistics for 1979, just released, show that Yugoslavia had a \$6.3bn trade deficit last year and an overall balance of payments deficit of around \$3bn.

Retail price inflation rose by 22 per cent while the gross national income rose 7 per cent thanks to an 8 per cent rise in industrial production and a 6 per cent increase in agricultural output. Employment rose by 4.4 per cent last year but productivity rose only 2.3 per cent, while investment was 7.3 per cent.

The Comecon countries took 41 per cent of Yugoslav exports and accounted for 28 per cent of imports last year. Exports to the industrialised West were 42 per cent of the total and imports 58 per cent.

## Shops shut in Greek protest

By Our Athens Correspondent

GREECE'S 500,000 shops were closed yesterday and 35,000 bank workers have been on strike since last Thursday in protest at new Government measures to control inflation and a soaring trade deficit.

Importers now have to pre-pay 75 per cent of the cost (insured freight) value of their goods, and profit limits have been set for wholesalers and retailers. A 25 per cent luxury goods tax has also been imposed.

The bank strike is against a Government decision altering working hours and also to back demands for better pay.

## Michelin bonus sparks fears in Italy

BY RUPERT CORNWELL IN ROME

MICHELIN, THE French tyre group, has stirred up a hornets nest here by making an unprecedented free bonus of 1,250,000 (£135) per head to the 14,000 men it employs at five plants in northern Italy.

Excluded from the largesse are only about 100 men, accused by the Michelin management of chronic absenteeism. For the rest, it is a windfall but one which has roused deep resentment and suspicion among industrialists and unions in Italy.

The company has been typically silent about its motives. Letters sent to em-

ployees with the payment described it as an "exceptional gift", made on a "personal basis" at a time of general difficulty.

However, it comes just as the Italian chemical unions are getting down to negotiating a new wage contract, and as the country's 1.5m metalworkers, into whose province Michelin partly falls, are working out the details of the company-by-company claims to supplement the national agreement reached last summer after six months of tough bargaining.

They believe that the gift is

an attempt to buy labour peace at Michelin in Italy, should the talks prove very difficult. The total cost to the company, including prepaid tax, is put at about 1.5bn (£2.7m).

In more general terms, the move is taken as evidence of Michelin's taste for paternalistic management methods, and of a studied indifference to the usual methods of negotiating with organised labour, in France and elsewhere.

Essentially annoyed after their initial astonishment at Michelin's behaviour, is Italian industry,

including Pirelli and CEAT, both direct tyre competitors of the French group, and whose Italian wage levels are much the same. The companies fear that Michelin's decision to break ranks could lead to demands from their workforces to make a similar gesture at a time of great pressure on their finances.

Many economists, moreover, are arguing that the payment could not have come at a worse time, when the Government is doing what it can to hold down wage increases, or at least see that they are linked to productivity improvements.

## Steel production down 24m tonnes last year

BY PAUL BETTS IN ROME

ITALIAN STEEL production dropped last year by 24m tonnes, 1 per cent down on 1978, according to figures published by Assider, the association of Italian Steel Manufacturers.

Italy is the second largest producer of steel in the European Community after West Germany. Assider's provisional figures also show a marked increase in Italian steel imports at 7.5m tonnes, or 35 per cent more than in 1978.

The decline in Italian steel production is in sharp contrast with other main European steel-producing countries. Indeed, overall steel production in European Community member countries increased by 5.6 per cent to 140m tonnes last year, Assider said.

Moreover, there was also a small decline in Italian pig iron production of 0.1 per cent to 11.39m tonnes last year.

The drop in steel production largely reflects prolonged labour unrest in the Italian steel sector during the renewal of the Engineering and Metalworkers Union national labour contract.

In the case of Italy's state steel group and Italy's largest single manufacturer, the steel friction cost the company some 750,000 tonnes of steel production last year.

However, since agreement with the unions was reached, steel production in Italy has been picking up and production last month increased by 6.3 per cent to 2m tonnes compared to December, 1978.

Rupert Cornwell adds: Italy's official reserves dropped last November by L637bn (£248m). According to provisional statistics from the Bank of Italy this was due to a fall in convertible currency holdings in a month which saw intermittent pressure on the lira.

The monthly decline, the first since July 1979, reduces Italy's gold and currency reserves to L30,826bn. The convertible foreign currency component was down, by L592bn, to L3,196bn.

The month showed no change in the Central Bank's gold holdings, reckoned to be around 82m ounces, the fourth largest of any Western country. In November these were valued at L16,089bn, but are set to rise

very sharply when the Bank of Italy makes its next three-monthly adjustment, to take account of the enormous jump in the gold price since then.

An overall balance of payments deficit of L415bn was also reported in November, according to provisional Bank of Italy figures published yesterday. In November 1978 Italy reported a surplus of L386bn.

In the first eleven months of last year Italy's overall balance of payments showed a surplus of L 1,854bn, considerably less than the surplus of L5,940bn during the same period of 1978.

The Bank of Italy also reported that its external position deteriorated during November by L289bn.

## Danes seek new oil lease terms

By Hilary Barnes in Copenhagen

THE DANISH Government is trying to alter the terms of the concession for oil and gas exploration in the Danish sector of the North Sea, which is held exclusively by shipping and industrial company A. P. Moeller.

Mr. Poul Nielson, the Energy Minister, has confirmed that the Government will be opening negotiations with the company which has exercised the oil exploration rights since 1962 through a consortium it formed with Shell, Chevron and Texaco.

The Government wants the rate of exploration stepped up. It may also want to change the terms of a 1976 agreement by which the consortium is to hand back 10 per cent of its concession area in 1981 and a further 10 per cent in each of the succeeding five years. A. P. Moeller's concession was awarded in 1962 for 50 years.

Other issues for re-negotiation are likely to be hard and fast agreements for the delivery of all oil to Danish refineries, and the construction of a pipeline from the North Sea to the refineries.

## Paris and Algiers strengthen ties

BY TERRY DODSWORTH IN PARIS

FRANCE AND Algeria are aiming to consolidate the improvements in relations arising out of last week's visit to Paris of Mr. Mohamed Benyahia, the Algerian Foreign Minister, by setting up a number of working parties to examine contentious issues between the two countries.

These committees will deal with a range of questions, including economic and fiscal issues, and the property and activities of the French in Algeria.

The most important, however, will study the tricky problem of Algerians working in France, whose position has come under

a new cloud since the recent tightening of controls on immigrants.

The Algerians have made it clear that they expect concessions from the French on this issue if the present thaw in relations is to continue. Although Algerians, whose permits were due to expire at the beginning of this year, were given a further 12 months' extension, the Algerian Government would like to see further guarantees for the 800,000 Algerians living in France and more help with resettlement.

It has become clear during the talks that the quarrel about French support for Morocco

and Mauritania in their conflict with the Algerian-backed Polisario over the former Sahara colony of Western Sahara, has not been largely buried. The friction between Paris and Algiers has declined since the coup d'état in Mauritania and the Polisario's ceasefire.

Because of these developments, both countries have been more willing to turn to international issues and the question of stabilising the political situation in the Mediterranean area. The French are evidently looking for Algerian support for President Giscard d'Estaing's plans for developing a dialogue between Europe, Africa and the Arab world.

## Poll has focused new attention on Gibraltar, reports Robert Graham

## Signs of motion around the Rock

AN ELECTION campaign in Gibraltar has brought the future of the Rock into focus. All four contesting parties seem to recognise the need to clarify the Rock's status.

The last attempt to negotiate the future of Gibraltar was begun in autumn 1977 with meetings between Sr. Oreja and Dr. David Owen, the then British Foreign Secretary. This

Sr. Oreja's declaration was the demonstration of a political will to negotiate coupled with a recognition of authority to make a decision on the Gibraltar issue.

The last attempt to negotiate the future of Gibraltar was begun in autumn 1977 with meetings between Sr. Oreja and Dr. David Owen, the then British Foreign Secretary. This

The circumstances have changed essentially in three ways. Firstly, inside Spain the devotion of authority to autonomous regions, starting with the Basque country and Catalonia, has finally given the Spanish Government a context in which to frame any eventual integration of Gibraltar.

Secondly, Spain has applied to join the European Community and the persistence of the dispute between Britain and Spain over Gibraltar threatens to complicate Spanish entry. Although the Spanish refuse to accept that the closure of the frontier and the restrictions applied to Gibraltar are against the Treaty of Rome, the British and Gibraltarians certainly believe they are.

Thirdly, there is the question of Spanish membership of NATO. Spain's bilateral defence treaty with the U.S. expires in 1981 and Washington would prefer to see any new defence arrangement within the NATO context.

This means that, in the case of the EEC, definite pressure exists to reach a solution, while membership of NATO, if Spain chooses to join provides a form of flexibility to accommodate a British military presence on the rock. Until now, such flexibility has not existed nor has there been any satisfactory internal Spanish framework to absorb the legitimate interests of the Gibraltarians.

For that matter there has been no real pressure either. Britain has felt only irritated, not put under pressure, by the annual UN resolutions calling for an

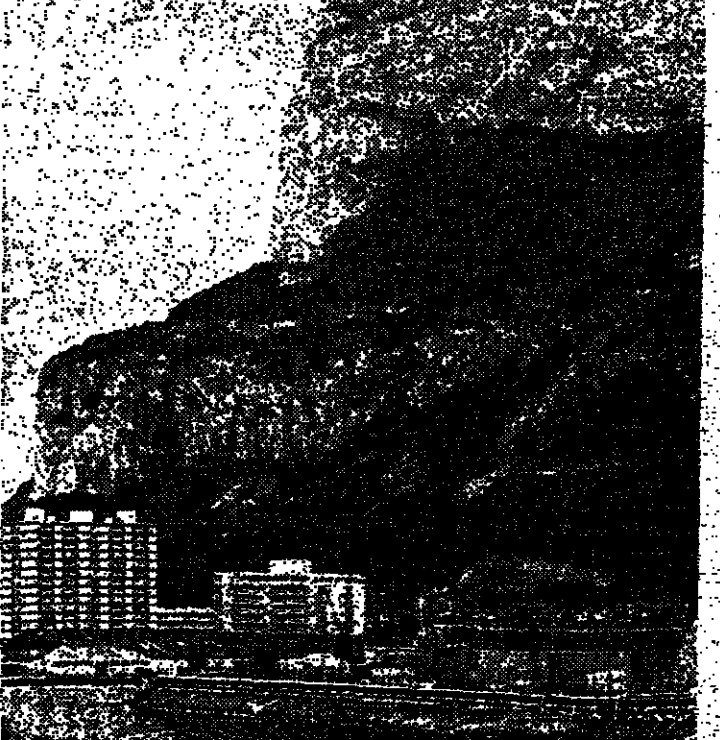
end to British colonial rule of the Rock. One of the reasons why no solution has been achieved could be that neither side has had an overriding concern to settle.

Yet if Sr. Oreja has sounded an optimistic note about the future, the Segovia meeting underlined the pitfalls ahead. Clearly there is a desire to establish a dialogue yet the dialogue remains one of the dead.

For instance, on the Spanish side, from the mayors of La Línea and San Roque (the men heading the Spanish communities most directly affected by the confrontation) to the academics and politicians, all regard Gibraltar as a dangerous nuclear base. None of the British participants successfully reassured the Spanish on this issue, even though it appears the belief is unfounded.

Sr. Oreja himself, in his Senate statement, talked of Gibraltar being a direct threat "to Spain and its 36m inhabitants" as a British military base—hardly the language to use with future partners in the EEC.

The second misunderstanding was a fundamental Spanish belief that Gibraltar was of great strategic significance to Britain and that the British intended to hang on to Gibraltar as long as it could.



The Rock of Gibraltar: political parties see need to clarify its status.

Thirdly, the Spanish still have little conception of the feeling among Gibraltarians towards Spain as a result of the closure of the frontier. The bankruptcy of this policy which has kindled a hitherto scarcely identifiable Gibraltarian esprit de corps and which, incidentally, put many Spaniards out of work, is not recognised by Spain.

The British for their part tend to underestimate the extent of Spanish feeling on Gibraltar and this is likely to be put to the test again when the two sides re-examine the situation after the election.

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Alain Cass, recently on the Thailand-Kampuchea border, reports on first attempts to resolve the plight of the Kampucheans

## Glimmer of hope for the rescue of a ravaged nation

**HAIRLINE CRACKS** have appeared in the deadlock over the fate of Kampuchea and its people.

For the first time since Vietnamese forces overran Phnom Penh a year ago, installing the regime of Heng Samrin, garrisoned the countryside and settled down to a war of attrition against the remnants of the Khmer Rouge forces, there are signs of movement.

A recent visit to Hanoi by Mr. Tunhu Ahmad, Indonesian Foreign Minister, was a significant departure from the sterile politics of propaganda and confrontation.

Mr. Rithaudin was despatched by the Association of South East Asian Nations (ASEAN)—consisting of Thailand, Singapore, Indonesia, Malaysia and the Philippines—in response to the first collective statement of policy by the Soviet-backed governments of Indochina.

In their first joint communiqué since 1975, Vietnam, Kampuchea and Laos called on Burma and the ASEAN countries to sign bilateral non-aggression treaties and to discuss the establishment of a

region of "peace, independence, freedom, neutrality, stability and prosperity."

Nothing concrete emerged from the talks, if only because the move was seen as a transparent attempt to exploit the latent divisions within ASEAN over the one issue which dominates the area: whether Vietnamese hegemony and Soviet influence are a lesser evil in the long run than the spreading shadows of re-awakened Chinese nationalism.

But even an agreement to disagree is an achievement at this stage—particularly if, as seems possible though by no means certain, the prospects are receding of a major Vietnamese military offensive against the guerrilla army of Pol Pot, the deposed Kampuchean leader, before this year's summer monsoon.

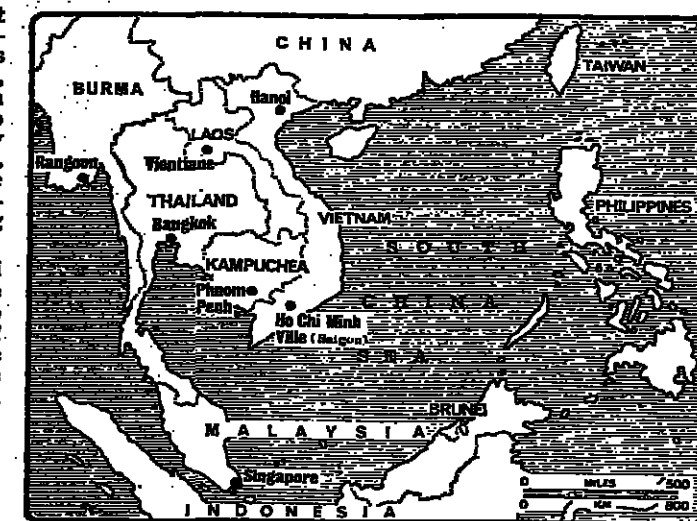
If this major offensive has been shelved, then the Vietnamese can probably avoid incursions deep into Thailand by their armoured divisions. These would almost certainly provoke a second Chinese invasion of Vietnam, carrying with it the risk of drawing the Soviet Union deeper into the conflict.

A major drive against Pol Pot could still be on the cards, however. Vietnamese divisions remain deployed in strength, ready for just such an operation along Thailand's border. But to stand a chance of success by June, when the rains intervene, a major push by the Vietnamese would have to begin by mid-February, and time is running out.

One suggestion is that Hanoi now believes that it has made sufficient gains on the ground to ease up on its key objective of liquidating the Khmer Rouge and switch tactics for the time being to more limited "search and destroy."

This may take longer—some military experts say forever—but it has the merit of being politically less contentious. The second explanation of Vietnamese quiescence, one described as "highly plausible" by Western diplomats, is that the Soviet invasion of Afghanistan is beginning to influence what remains a major battleground between Peking and Moscow.

China continues to back the Khmer Rouge with arms and unwavering political support as



the only effective anti-Vietnamese force in the area. The Russians meanwhile persist with an arms airlift to Hanoi—costing between \$2m and \$3m a day—which is largely if not solely responsible for sustaining Vietnam's presence in Kampuchea.

But there is now evidence to

suggest that the Kremlin may be restraining Vietnam from attacking Pol Pot in one major sweep.

At a time when the Russians are preoccupied with consolidating important gains in Afghanistan, it seems that the Soviet leaders are anxious not to be drawn into a clash with China

or to have to bear the increased burden of a major Vietnamese offensive.

The hope now is that if military conflict does not escalate in the next few weeks, the chances of a constructive political dialogue will be much greater.

But there are clearly differences of emphasis within ASEAN which point to two basic options in any eventual political settlement.

The first is that ASEAN would accept Vietnamese hegemony over Indochina and the indefinite presence of some Vietnamese troops in Kampuchea. This would be in exchange for the broadening of the Heng Samrin regime in Phnom Penh to include some non-Communist elements under the guise of a face-saving constitutional change which would include "elections."

Vietnam already appears to be preparing the ground for this. Such a solution would be favoured by Indonesia, Malaysia and the Philippines. They see a strong Vietnam as a buffer against China, which is seen to be subverting the delicate racial

balance in the region through the large Chinese communities.

Thailand and Singapore would regard the acceptance of Vietnamese hegemony as appeasement. They insist that any political solution must include a precise timetable for the withdrawal of Vietnamese troops.

This is also the minimum which China would accept. Peking, which has considerable leverage over Thailand through the supply of oil and effective control of the country's dormant but powerful Communist Party, has recently been urging ASEAN to stand firm, using the example of Afghanistan to drive home its arguments.

However, the one major area of concern to Thailand, and to the West, remains the refugees who continue to pour across the border, albeit at a slower rate. A dispirited, shifting population could pose a serious threat to Thailand's stability. There have been signs recently that General Kriangsak's regime has been encouraging the somewhat patchy attempts to forge a united Khmer front between the Pol Pot forces and Khmer

Serei non-Communist groups as an alternative to early negotiations with Hanoi.

The predominant school of thought in Bangkok remains convinced that a well-armed, fighting Khmer force harassing the Vietnamese is the only real chance of persuading Hanoi to pull back its troops and settle on terms which would give South-East Asia a half-chance of ending off the spread of Communist influence.

In the final analysis Kampuchea is trapped between the powerful and entrenched strategic interests of Hanoi and Peking. Hanoi remains determined to resist Chinese influence and probably to retain effective control of the country; Peking sees Kampuchea as an extension of the Sino-Soviet conflict, and the dislodging of a major Russian foothold on its southern flank remains a cardinal principle of its foreign policy. Under these circumstances, the prospect of a neutral Kampuchea is, for the pathetic remains of its ravaged population, likely to remain a mirage.

## Rhodesia campaign opens with 700 nominations

BY BRIDGET BLOOM IN SALISBURY

THE CAMPAIGN for Rhodesia's British-supervised majority-rule election opened officially yesterday when more than 700 candidates were nominated for 80 black seats. Nine African parties are contesting the election. One, the Zimbabwe United Peoples Organisation (ZUPU) led by Chief Chirau, failed to nominate candidates.

In an apparent effort to emphasise the need for national reconciliation, the leaders of the three major parties are all to stand in constituencies outside their own tribal areas.

Mr Joshua Nkomo, who is from the minority Matabeli, is standing in Midlands which has a majority Shona population. Though Bishop Munro, leader of the United African National Council (UNAC) and Robert Mugabe, leader of Zimbabwe African National Union (ZANU-PE), are both Shona, and are standing in Shona constituencies, they are nominated for areas far from their own tribal base.

Meanwhile, Britain has been endeavouring to secure the release of some 50 ZANU de-

tamees, held in Mozambique, but appears to have met with little success.

British officials here, clearly under pressure from the Rhodesians, have hinted for some days that Mr. Mugabe's return is conditional upon the release of the detainees as well as on a halt to what is alleged to be increasing and intentional ceasefire violations by guerrillas owing allegiance to him.

Mr. Mugabe's return, which his officials insist will take place next Sunday, is awaited with some trepidation but could well ease the problems of communication which the British administration has with the newly-returned and apparently disorganised ZANU officials.

Meanwhile, the Rhodesian Front led by Mr. Ian Smith, has agreed on a list of candidates for the 20 seats reserved for whites. Most of those who sat in the last Rhodesian Parliament will stand again, including Mr. Smith.

It is understood that a backstage row preceded the nominations. The differences arose between Mr. Ian Smith and

his supporters and Mr. David Smith, the former Finance Minister, over the approach that white MPs should adopt, both in the election campaign and in Parliament. There are suggestions that Mr. Ian Smith's continuing leadership was questioned.

While a split has been averted for the time being, the David Smith faction appears to have won agreement that the party will not align itself publicly with any of the African parties in advance of the election.

Mark Webster adds from Plumtree: The first 1,000 of an estimated 25,000 Rhodesian refugees in Botswana came across the border here yesterday as the first stage of a scheme to repatriate about 230,000 refugees got under way.

On Friday, the first refugees from Zambia are expected to be flown to Salisbury and Bulawayo, but most of the 60,000 estimated to be in Zambia will come by road. Soon afterwards the first of 150,000 refugees in Mozambique will start returning through Umali.

## Bani-Sadr urges broader base for Iran's economy

BY SIMON HENDERSON IN TEHRAN

IRAN'S economy must be changed so that it is no longer dependent on oil revenues, according to Mr. Abolchassan Bani-Sadr, the Finance Minister. Instead he has spoken of the need to build up agriculture and small industries.

His comments, made as part of his campaign to be elected his country's first President in polls next Friday, emphasise the degree to which the revolutionary authorities are trying to change the structure of the

economy towards self-sufficiency.

Mr. Bani-Sadr said villages must absorb unemployed workers and small industries should be transferred to the rural areas.

In a separate announcement, Mr. Ali Akbar Moirfar, the Oil Minister, said after a meeting of the ruling Revolutionary Council, that it had been decided that the car industry would manufacture utility rather than luxury cars. These

should be manufactured locally rather than assembled as at present, from imported kits.

The country is now rapidly changing from the form it had in the regime of the deposed Shah when it was a high-revenue, development-oriented economy. Although with increased prices oil revenue has remained comparatively stable, it is becoming less crucial to the economy, according to the Government.

In another election speech a

few days ago Mr. Bani-Sadr said oil revenue was running at \$25bn a year of which \$15bn was being put into reserves.

Mr. Bani-Sadr, who is regarded as favourite to win the presidential election, said in his latest speech that some Iranian towns and villages lacked real economies and the national economy was being run on the income from oil. Agricultural land should be doubled so that Iran would no longer need to import food and

priority should be given to allocating more agricultural credit.

Mr. Bani-Sadr's strength in the present Government and standing in the elections is built on the respect given to him for his synthesis of economic ideas with Islamic principles. The result is frequently evident in quasi-Socialist policies such as the nationalisation of the banks and insurance companies and the planned nationalisation of foreign trade.

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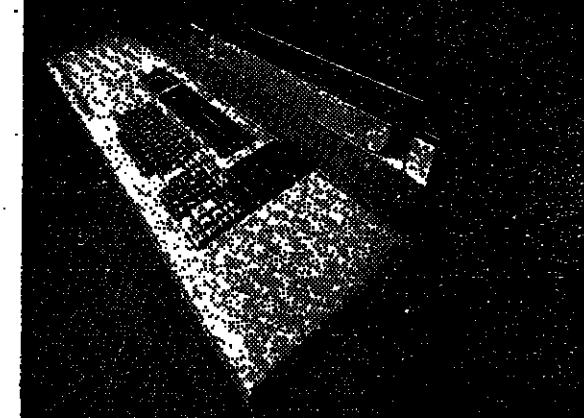
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## Moslem talks on Afghan venture to go ahead

By Our Foreign Staff

THE ISLAMIC conference to discuss the Soviet invasion of Afghanistan is to go ahead as planned in Islamabad on Saturday despite a threat by the Palestine Liberation Organisation and four Arab states to boycott the talks unless the venue and date are changed.

The decision to go ahead was confirmed in London yesterday by the Islamic Council of Europe. Mr. Farouk Kaddoumi, chief of the PLO's political department and de facto Foreign Minister, confirmed that his organisation would not be represented.

The PLO, Syria, Algeria, Libya and South Yemen decided last week to call for a postponement and transfer of the conference to Saudi Arabia. Their move is seen as a device to avoid embarrassing pressure on them to criticise the Soviet Union.

The five, who met in Damascus as the "Arab Steadfastness Front," decided that opposition to the Egyptian-Israeli peace treaty should take precedence and no offence should be caused to the Soviet Union, their main ally on that issue.

## New safety measures for Assad's Soviet advisers

BY HSAN HIJAZI IN BEIRUT

SYRIA and the Soviet Union have been in touch during the past two days over a wave of assassinations of Russian military and civilian technicians serving with Syria's armed forces and in development projects.

A message received by President Hafez al-Assad from President Brezhnev on Sunday was reported by Arab diplomats to be in connection with the murder last week of two senior Soviet officers in the central town of Hama, and the wounding of a Russian civilian engineer in Aleppo in the north.

The two countries were reported to have decided to co-operate in providing better security for the 2,000 Soviet military advisers and 500 civilian technicians stationed in Syria. There was no question of a Soviet withdrawal.

Dr. Abdel Rauf al-Kasam, Syria's Prime Minister, emphasised in a speech in Damascus at the weekend that his Government was determined to strengthen co-operation and friendship with the Soviet Union.

The Syrian Government has

refused to join the anti-Soviet campaign over military intervention in Afghanistan and will not attend a conference of Muslim Foreign Ministers this week to discuss the intervention. Mr. Brezhnev has already expressed his appreciation over the attitude which Damascus has taken towards the Afghan situation.

Despite years of co-operation with Moscow, the Syrians have been careful not to admit an excessive number of Soviet military technicians.

The number of military advisers was increased recently from 1,500 to 2,000 to train Syrians in the use of sophisticated weapons delivered after a visit to Moscow by President Assad last October. The arms included MiG-25 fighters and T-72 tanks.

The Syrian authorities have blamed members of the militant Muslim Brotherhood for the killing of the Soviet technicians. Observers here believe the Brotherhood wanted to take vengeance for Soviet military intervention in Muslim Afghanistan and also to discredit the Syrian Government.

## Israel approves more settlements

BY DAVID LENNON IN TEL AVIV

THE DEADLOCK in the negotiations on Palestinian autonomy has not deterred Israel from pushing ahead with its plans to build more Jewish settlements on the occupied West Bank of the Jordan and in the Gaza Strip.

The Government has approved the establishment of two new settlements on the West Bank and has ordered a study to be made of the possibility of building additional Jewish settlements in the densely populated Gaza Strip.

The decision was taken on

Sunday, despite a report from the head of the Israeli working group at the Autonomy Talks, who said that Egypt regarded the settlements as "null and void" and was beginning to have second thoughts about the whole peace agreement.

Despite total disagreement between the Egyptian and Israeli teams about the scope of Palestinian autonomy, the Cabinet has decided to stick by its proposal to grant the Palestinians of the West Bank and Gaza only very limited administrative powers. It also rejected again the Egyptian

suggestion that the Palestinians should have legislative and executive powers in the autonomous region.

Dr. Haim Kuberky, who headed the Israeli Autonomy team, reported that he found Egyptian officials questioning the benefit accruing to Egypt from the peace treaty with Israel. They noted that among the Egyptian public the prevailing view was that Egypt had fallen from its senior position in the Arab world and the damage stemming from the peace treaty outweighed any advantages.

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## AMERICAN NEWS

## WORLD TRADE NEWS

## China deficit doubles

TOKYO—China's trade deficit doubled to around \$2bn (2800-4m) in 1979 from a 1978 deficit of about \$1bn, the Japan External Trade Organisation (JETRO) said in a survey.

It estimated that Chinese exports rose to between \$13.2bn and \$13.5bn from \$10.3bn in 1978, while imports rose to between \$15.3bn and \$15.5bn from \$11.35bn a year before.

Exports to non-Communist countries rose, with Japan becoming China's largest market, and Hong Kong falling to second place followed by West Germany, Singapore and the U.S. JETRO said.

To diversify its export partners, China started selling crude oil to the U.S. and Italy last year.

In the import sector, imports from Western industrial nations increased sharply, notably from Britain, The Netherlands and

France. Imports of grains including wheat, maize and soyabean rose to well over \$1.12bn in 1979, JETRO said.

China has been assured of Governmental and private foreign loans estimated at \$20bn but actual loans are believed to be small due to higher interest rates in international money markets, Reuters.

Tony Walker writes from Peking: China has the potential to become very powerful economically, by the year 2000, but there were a number of difficulties it would have to overcome, Mr. Issamu Miyazaki, Japan's Economic Planning Minister, said.

Mr. Miyazaki, who spent last week in discussions with senior Chinese economic planners, said China would have to combat inflation and unemployment as it sought to modernise its economy. He described China's

list of 120 large projects as

very ambitious. The Minister said that one of the difficulties he had experienced in his discussions with his Chinese counterparts was that often Chinese economists "spoke a different language".

Mr. Miyazaki, whose department directly advises the Japanese Prime Minister, said he hoped that his discussions last week would lead to a regular round of talks, such as Japan had with the U.S. and the EEC.

Mr. Miyazaki, a Japanese trading concern, has signed an agreement to provide \$3.4bn (\$5.3m) in loans to China to help finance a large-scale agricultural project in Heilongjiang province in north-eastern China. AP-DJ reports from Tokyo. The loans will be used chiefly to import agricultural machines from the U.S.

## Swiss trade gap soars to £1.3bn

By John Wicks in Zurich

SWITZERLAND'S trade deficit reached Sfr 4.7bn (£1.3bn) last year—nine times the 1978 figure of Sfr 520.4m (£144m). The deficit was the highest since the record Sfr 7.57bn in 1974.

The Swiss Customs Directorate said that almost one-half of the 1979 deficit was due to the increase in the oil price. This and other rises in overall prices meant that in real terms, imports grew by 9 per cent and exports by 2.2 per cent.

Nominal totals show a jump of 15.2 per cent to Sfr 48.7bn in imports, and a rise of 5.4 per cent to Sfr 44bn, for exports. The figures point to a marked decline in Switzerland's traditional surplus on current account. A recent study by Union Bank of Switzerland points to a further reduction for the current year.

## Car sales fall in Holland

By Charles Batchelor in Amsterdam

CAR SALES in the Netherlands, composed almost entirely of imports, fell for the first time in five years in 1979, according to Motor Industry Association (RAI) figures. Sales fell 2.7 per cent to 568,870, though a change in the basis on which the figures are calculated meant the relative decline was even steeper.

General Motors sold \$1.164 cars, most of them Opel models, and took 16 per cent of the market compared with 14.9 per cent in 1978. The combined sales of the Peugeot-Citroen-Talbot group were 83,782, or 15.6 per cent of the market compared with 18 per cent.

Ford took third place with sales of 63,243 and a market share of 11.1 per cent against share of 11.1 per cent. The Japanese manufacturers—Daihatsu, Datsun, Honda, Mazda, Mitsubishi, Subaru and Toyota—sold 110,969 cars and took 19.5 per cent of the market against 18.8 per cent.

## S. Africa-Zambia link

The South African and Zambian Governments are negotiating the introduction of a direct passenger air service between Johannesburg and Lusaka. According to Dr. Kobus Louw, South African Airways' general manager, the service will begin "in a very short time" if Zambia agrees to proposals made by SAA. Bernard Simona writes from Johannesburg.

## Eastern RB-211 loan

The Export Credits Guarantee Department has guaranteed a \$158m loan which Lazard Brothers, acting on its own behalf and for the benefit of banks, has made available to Eastern Air Lines to finance a contract for supply RB-211 aircraft.

## Israel hopes for £1bn UK business

BY ANTHONY McDERMOTT

ISRAEL hopes that within three years trade exchanges with Britain will reach £1bn, according to Mr. Gideon Patt, the Minister of Commerce, Industry and Tourism, at a Press conference in London yesterday. At present Anglo-Israel trade runs at about half this level.

Mr. Patt, whose six-day visit to attend the fourth meeting of the Anglo-Israeli joint economic commission ended yesterday, said that in 1979 Israel's exports to Britain totalled £227m against imports valued at £270.6m.

During his visit, Mr. Patt has met with numerous government officials including Mr. John Nott, and Mr. Cecil Parkinson, respectively Secretary and Minister of State for Trade. Mr. Parkinson has agreed to lead a delegation of industrialists to Israel in April or May.

Anglo-Israel trade has changed in composition particularly since the beginning of the 1970s. On the British side there has been a marked shift away from exporting diamonds towards equipment and technology, and on the Israeli side exports have turned gradually away from consumer

items, such as textiles and agricultural products, towards industrial products.

Mr. Patt said that there were about 100 projects for Britain in Israel "in the pipeline," and that the fact that these were mainly concentrated in the areas of optical equipment, computers and telephone exchanges reflected the complementarity of the two countries' trade. Israel is also especially keen to market its electronic equipment in Britain.

Mr. Patt said that Israel had received a sympathetic hearing from Britain to the problems it may face with the enlargement of the EEC to include Portugal, Greece and, in particular, Spain. He said that Israeli studies of the effects of tariffs, Common Agricultural policy and subsidies could result in the collapse of 40 per cent of the Israeli food processing industry. In addition, as quotas and subsidies were altered with new membership, the textile industry would be badly hit.

Starting January 27, El Al will operate a twice-weekly service between Tel Aviv and Cairo. An Israeli delegation is expected to leave for Cairo this week to finalise arrangements.

## Japan companies nervous over Iran plant deadline

BY RICHARD HANSON IN TOKYO

THE JAPANESE partners in the Iran-Japan Petrochemical Company, which is building the petrochemical complex in Bandar Khomeini, are responding nervously to the two-week deadline issued by Mr. Ali Akbar Moftakhar, Iranian Oil Minister, for a restart in construction.

"We are preparing for everything," said an official of Mitsui and Co., which heads the five other Japanese companies involved in the complex. The plant is about 85 per cent complete, and Mr. Moftakhar is threatening to seek another partner if renewed Japanese co-operation is not forthcoming soon.

The Japanese partners say work could be resumed on the stalled project within the two-week deadline. A decision to do so, however, depends solely on the position taken by the

Japanese Government. Last week Japanese officials asked a U.S. envoy during consultations on the issue of economic sanctions against Iran for the petrochemical complex to be exempted from any sanctions. Japan feels that the losses which would result from cancelling the project would be too great to bear.

Japanese officials are trying to salvage whatever they can of the country's economic relations with Iran. They are particularly worried that Iran will cut off oil supplies to Japan (as also threatened) if Japan goes along with U.S. proposed sanctions.

The Japanese Government has yet to formulate its response to the U.S. proposals. It is trying hard to delay any actions until America's European allies indicate what concrete steps they will take.

## French loan for Brazil

BY TERRY DODSWORTH IN PARIS

FRANCE IS making an \$850m borrowing facility available to the State of Sao Paulo in Brazil to help with the financing of a \$3bn hydro-electric scheme due to be completed in 1984.

The loan underlines the developing trade links between France and Brazil, which exchanged about \$1.3bn worth of goods in 1978. Although the two countries do not have a long history of close commercial collaboration, Brazil is gradually climbing up the table of France's foreign suppliers, where it has reached the 17th position. Brazil also buys 4 per cent of its imports from France.

The loan is not tied to any supply agreements from French companies and it is clear that the French will be able to win contracts for the three power stations. Involved mainly through their subsidiaries in Brazil, the Brazilian authorities have indicated that about 70 per cent of the material for the power stations will have to be manufactured by locally-based groups. Terms for the loan have not been revealed, but it is known that it will be stretched out over 10 to 20 years depending on the item being financed.

Castro brothers daunted by domestic economic trouble and world political crisis  
Spectre of bankruptcy haunts Cuban regime

CUBA is being stalked by the spectre of "economic disaster and bankruptcy, with its sequel of starving people and hundreds of thousands of unemployed." This fearsome view comes not from some dihard anti-Castro radio station in Miami, but from the mouth of President Fidel Castro's brother, Raul, the Cuban defence chief, in a frank and extremely grave analysis of the island's deep-seated economic problems.

At the same time the economic crisis appears to have been aggravated by the emergence of the first signs of a dissident movement at home and by diplomatic problems stemming from the Soviet invasion of Afghanistan. The will of the Castro brothers to rule and to rule successfully has probably never been more strenuously tested than today.

Having raised the spectre of the fate menacing Cuba, the President's brother was of course quick to proclaim that the island's Marxist-Leninist form of government and the help it received from elsewhere, particularly the Soviet Union, was protection enough against economic cataclysm. But General of the Army Raul Castro made no bones about the challenges facing Cuba.

The world economic crisis, runaway inflation and low prices for Cuba's sugar, which accounts for all but a fraction of its export revenue, are all damaging enough. But Raul Castro hinted that the country might not be earning enough to cover the production cost of its main crop. Worse, blue mould disease was affecting Cuba's tobacco fields for the second season running, and sugarcane smut plague was going to hit output levels this season.

The result, he said, was that the Cuban in the street could look forward to no material improvements in his position. And the President's brother was courageous enough to confess that Cuba's ills could not all be blamed on the U.S. blockade, the crisis of capitalism or the wrath of nature, however often

they may have been "used as pretexts to hide our deficiencies." "To the objective factors we've described we must add the presence of indiscipline, lack of control, irresponsibility, complacency, negligence, and 'buddhism' which, in addition to aggravating many problems, prevent others from being solved and generate justified irritation on the part of broad sectors of the population."

Particularly in agriculture, Sr. Castro charged, many people were working only four to six hours a day. The norm system was being widely abused, with people fulfilling their norm two or three times over in one day and then knocking off for two days. There was unwillingness to overfulfil norms lest they be increased, but this was not all the fault of some lazy workers. Some functionaries were clearly

## Report by Hugh O'Shaughnessy, Latin America Correspondent

living a life of Riley, with cars and other luxuries provided to them for their jobs.

Sr. Castro's speech, delivered in Santiago, the capital of Eastern Cuba last year, was rapidly followed by the sacking of the Transport Minister in December. Transport, particularly urban passenger transport, has for years been a sore point with city dwellers and managers alike. The former find the buses to take them to work or to the shops erratic and unreliable; the latter are often harassed beyond patience with the difficulties of making their factories and offices work smoothly and on time. The railways need modernisation and the inter-city buses could also be improved.

However, worse was yet to come for those at the top whom the President regarded as in-

efficient administrators. A ministerial and cabinet reorganisation followed this month which abolished 20 ministries and merged their functions with others and 11 people of ministerial rank suddenly lost it.

Raul Castro was not talking tightly when he referred to people's irritation. In recent months signs have appeared of an emergent dissident movement. The President's brother had talked before of "little groups of intellectuals" sitting in judgment on the revolution. Then last month reports from diplomats in Havana that walls had been daubed with anti-Castro slogans and that handbills had been found were confirmed by reporters usually favourable to the Government.

Unrest has also been manifested in the bids by Cubans to reach asylum in the various Latin American embassies in the capital—principally the Venezuelan mission, but last week also the Peruvian. The Committees for the Defence of the Revolution, the Government's neighbourhood support groups, have been altered.

Last U.S. Government or U.S. citizens be tempted to take advantage of a difficult internal situation, a Cuban court sentenced U.S. citizens who had been caught distributing bible tracts from a light aircraft to 24 years imprisonment each. The punishment could be seen as a warning to the CIA and the Miami anti-Castro dihard that the Cuban Government has not forgotten the efforts to destabilise it in the early 1960s.

As if this was not enough to test the Castro's rule, the Havana Government has this month been facing the issue posed by Afghanistan. For some days after Moscow had sent troops to Afghanistan Cuban representatives at the UN and elsewhere preserved something of a silence about the moves, not joining in the chorus of support that, for instance, the East German regime mounted. The Cuban delegation even-



The brothers Castro, Fidel (left) and Raul

tually lined up with the rest of Comecon and voted in favour of the invasion of Afghanistan when the vote was taken in the UN General Assembly. But the initial Cuban hesitation appeared to confirm that Fidel Castro was at least as embarrassed by Soviet conduct in Central Asia as he had been over their invasion of Czechoslovakia in 1968.

The Russian move into Afghanistan, widely condemned in the Third World, was difficult for the Cuban Government to handle. Cuba's economic reliance on the Soviet Union counselled support for the invasion, while Castro's desire for personal leadership of the Third World suggested that he would be more politic. In the end the more pressing economic reasoning outweighed the more ambitious diplomatic aspirations.

The decision to back the Soviet invasion has brought more difficulties than increased strain in relations with the Third World. It has strengthened the arguments of the hawks in the U.S. that it is time Washington "did something" more hostile against the Marxist-Leninist presence on its doorstep.

It is probably realistic to think that relations between Washington and Moscow will have to deteriorate a great deal before the U.S. started overt military action against the Cuban Government. But the potential threat from the U.S. must be worrying for the leadership in

Havana. The cost of increased military vigilance will have to be paid in yet another brake on economic productivity.

The multiple problems besieging the Cuban Government have not so far persuaded President Castro to withdraw his troops from Africa, where 19,000 are on duty in Angola, a further 15,000 are based in Ethiopia and more than 1,000 are in other spots from São Tomé and Príncipe to Zambia.

Nor has the role of Cuban civilian technicians, of which there are reported to be 5,500 in Angola alone, been reduced so far. Some diplomats suggest that by encouraging African governments to pay for Cuban services Cuba will start earning substantial amounts of foreign currency from Africa.

Cuba has taken 10,000 foreigners, mostly Africans, for training in its own schools, often at a very young age. Western diplomats reported that 600 Congolese schoolchildren aged not more than 12 arrived in Havana in November for courses lasting 10 to 13 years, double that number left Ethiopia for Cuba in the same month.

For a country with a population of less than 10m and with the difficulties Cuba faces, the effort spent fostering foreign relations is little short of phenomenal. It is understandable only in the context of the driving personal ambition of President Castro to secure for himself and his country the largest possible place in the annals of world revolution.

## It's not quite the same as politics, but almost

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

READERS of the political runes were struggling yesterday to find lessons from last night's Iowa Presidential caucuses in Sunday's victory by Pittsburgh over Los Angeles in the Super Bowl, the American football championship.

The Pittsburgh Steelers, the dominant team of the last decade, won its fourth title in the past six years by overcoming a stubborn Los Angeles Rams outfit by 31 points to 19. The Steelers' victory means that Pittsburgh continues to hold the

championships of both major American sports, as its baseball Pirates won last year's World Series.

On the face of it, Sunday's result was a bad omen for the two principal Californian Presidential candidates, Mr. Ronald Reagan and Mr. Jerry Brown. But the comparison is facile, since the ageing, retiring Mr. Reagan, and the fey, interplanetary Mr. Brown bear little character resemblance to the sweaty, grumpy behemoths of the Rams team, who fought the

Steelers so hard, belying the laid-back mellow image that California so often presents to the outside world.

Adherents of the George Bush school of politics, who believe anything is possible if you run long and hard enough, could take no consolation from the fact that the Super Bowl, one of the best in recent years, was decided by Pittsburgh's use of the swift aerial strike.

Mr. John Connally, who seems to believe that money can buy the Presidency (he is the only

candidate refusing to accept federal funding for his campaign) must be disappointed that the Pittsburgh side was built not by expensive forays into the transfer market but by careful early recruitment of promising college players.

Some of the candidates have sporting connections. Mr. Carter runs in races, but does not always finish them; both he and Mr. Bush like tennis. Senator Kennedy sails and plays touch football. Mr. Reagan started

out life as a sports broadcaster on early radio (in Iowa no less). All of course would be appalled, if asked, about what inflation has done to the cost of staging, and attending, the Super Bowl. Ticket touts were getting up to \$500 a ticket, beer and peanuts were doubled in price, and CBS television invested millions of dollars in coverage.

But nobody, absolutely nobody, suggested boycotting the event.

## U.S. offers Egypt \$1.1bn for F-16 fighter aircraft

BY OUR U.S. EDITOR

THE U.S. is prepared to offer Egypt an additional \$1.1bn in military credits over the next two years, principally to finance purchase of the sophisticated F-16 fighter aircraft.

The proposal, which requires Congressional approval, is seen here as a major commitment to strengthening President Anwar Sadat's régime and is part of the emerging global strategy of actively meeting the security requirements of close U.S. allies.

The pledge to Egypt seems certain to create problems in the triangular relationship involving Israel at a time when the Israeli-Egyptian negotiations on autonomy for the West Bank have reached an apparent impasse, probably requiring U.S. mediation.

Israel itself, which has said publicly it opposes sales of such advanced equipment as the F-16 to an Arab country, was recently disappointed when it

was able to elicit from the Carter administration only a promise of an additional \$300m in military aid to supplement the \$1bn a year it already receives and the \$3bn in credits and grants earmarked for the 1979-81 period.

According to published reports, \$350m of the additional \$1.1bn for Egypt will be disbursed in the fiscal year beginning in October, with the balance in the following fiscal year.

Under the military aid package announced after the conclusion of the Egyptian-Israeli peace treaty last year, Egypt was promised a three-year \$1.5bn military aid package.

The U.S. is expected to counter Israeli complaints by arguing that, even with the latest addition, Israel will continue to receive more military aid than Egypt—and that, in any case, the extra \$1.1bn is far less than President Sadat requested.

## Citibank employee appeals

By David Lascelles in New York

NEW YORK judges are considering an appeal by Mr. David Edwards, the former Citibank employee who claims he was dismissed from the bank in 1978 after trying to uncover questionable foreign exchange practices.

Mr. Edwards's suit, under which he is claiming \$14m in damages, was dismissed on a technicality last June when the bank managed to prove that he had no employment contract.

Mr. Edwards charges that several European Citibank branches transacted foreign exchange at artificial rates so as to "park" profits in low tax centres.

An investigation by Citibank's lawyers and auditors into these charges produced evidence that this was so, but the bank has denied any "systematic wrongdoing."

## Poll puts Liberals ahead of Tories in Ontario

BY ROBERT GIBBENS IN MONTREAL

ONTARIO, the most populous Canadian province which put Mr. Joe Clark and the Progressive Conservatives into office last May, seems to be swinging away from the Tories ahead of next month's election.

A poll conducted by the CTV television network gave the Tories 35 per cent of the votes to be cast in Ontario on February 18.

Ontario has 95 of the 282 seats in the Canadian House of Commons. Its results are crucial because the second-biggest province, Quebec, is safe ground for the Liberals. Last May the Conservatives took 57 of the Ontario seats, the Liberals 32, and the New Democrats, a left-of-centre group, received six.

The Liberals also appear to be doing better than expected in the prairie provinces, where the CTV poll gave them 43 per cent. The prairies, however, are

thinly populated and have few seats in Ottawa.

On a national basis, the CTV poll gave the Liberals 51 per cent, nine points better than in the last opinion poll. The Tories were down seven points to 31 per cent.

Victor Mackie reports from Ottawa: Mr. Ray Hnatyshyn, Canada's Minister of Energy, Mines and Resources yesterday announced increased prices for natural gas in both domestic and export markets.

The domestic price of natural gas will rise by 15 cents to \$2.30 (87.5p) per million British thermal units on February 1, under the existing Canada-Alberta agreement on natural gas pricing.

The minister also announced that natural gas for export markets will be priced at U.S.\$4.47 per million Btu. From February 17, up from U.S.\$3.45.

## Afghanistan invasion gives new impetus to EEC-Yugoslav relations

IN RECENT YEARS EEC Governments have been notably diligent in issuing declarations about their desire for even closer economic and political links with Yugoslavia, but they have also been dilatory about achieving them.

The difficulties, of course, have been raised by both sides, but the negotiations on a new co-operation agreement to replace one which expired in August, 1978, have been especially protracted because each member state's desire to protect its own interests has whittled away the European Commission's room for negotiating position.

A promise of rapid change emerged last week through one of those decisions which EEC Ministers occasionally take to send a burst of adrenalin throughout the entire Community system.

Whipped into line by the fear that the Soviet invasion of Afghanistan might be followed

by a major threat to post-Tito Yugoslavia, EEC Foreign Ministers issued a crucial new "orientation."

In effect, they decided that the back of the two-year-old negotiations must be broken by the time of their next meeting in early February.

If their aim is achieved, Mr. Roy Jenkins, the Commission President, will set the seal on a new era for EEC-Yugoslav relations with a visit to Belgrade in the middle of next month.

If a new deal is obtained in the next fortnight, it would mean more extensive political and economic links with Yugoslavia for the EEC than with any other developing country, with the possible exception of Turkey.

Yugoslavia has insisted, however, that any agreement must be dressed up in such a way as to avoid compromising its cherished non-aligned status, a

risk of which the Tito Government has long been aware.

When the first three-year non-preferential agreement, signed in 1970, came up for renewal with the EEC, the Yugoslavs were offered a preferential agreement which would broaden their co-operation with the Community and offer potentially greater access to its market for Yugoslav agricultural and industrial products.

But the Yugoslavs opted, instead, to retain its most favoured nation designation giving it EEC non-preferential agreements with developing countries—and with the generalised system of preferences which imposed quota ceilings on most of its products.

Partially as a result, the five-year agreement signed in 1973, and, temporarily extended since 1978, has not produced a positive transformation in EEC-Yugoslav trading relations. Quite the reverse in fact from

BY JOHN WYLES IN BRUSSELS

the Yugoslav point of view, since the country's trade deficit with the Community soared from \$886m in 1978 to \$2.7bn in 1979.

At the same time, the share of Yugoslav exports taken by Community countries climbed from 31 per cent to over 40 per cent, and the political implications of this have only recently started to trouble the Nine.

Officially, the Community's view was that the widening trade deficit was a pity, but what Yugoslavia had to offer, particularly in the agricultural sec-

tor (such as beef and veal) did not complement the EEC's needs. This meant, in effect, that there were too many domestic Community interests which felt themselves threatened by an agreement which would be truly useful to the Yugoslavs.

This has remained true, de-

GEC Electrical Projects of Rugby, have received a £14m order covering the supply of complete drive systems for a fully-computerised cold rolling steel mill complex for Metalurški Kombinat Smederevo (MKS) of Serbia, Yugoslavia. The order has been received from Davy Loewy, the main contractor, and follows over two years of tendering activity against world-wide competition.

spite the Yugoslavs accepting about a year ago that a preferential agreement promised more substantive benefits. When the Nine started to develop a negotiating mandate for the Commission, it became open season for every member to see the shadow of danger in one Yugo-

slav product after another. This time this was completed, Belgrade found itself confronted with an offer which placed some 60 industrial items under import ceilings. Under existing procedures, this meant that the affected products, ranging from glass items and leather goods to non-ferrous metals and chemicals, would enjoy free entry up to a specified volume, after which a tariff would be automatically imposed if so requested by a member state.

By early last summer, the Yugoslavs were beginning to question whether the EEC really wanted an agreement. They claimed that only about 10 per cent of the items the EEC wanted to circumscribe, covering 50 per cent of their exports, were really "sensitive" from the Community's point of view.

The Commission then spent the next several months combing through the list with Yugoslav negotiators as a prelude to

tabling proposals for an improved negotiating mandate to member governments. These Commission proposals, the Nine must immediately react to and build on during the next few days.

On the industrial front, the Commission has suggested allowing free entry for a number of items, including cement, cellulose nitrate and wicker-work items. It has proposed raising the ceilings on entry of other more sensitive items, while another 16 products, exported out of the Osimo free zone set up by Yugoslavia and Italy, would be subject to import ceilings but would suffer tariffs if they breached them only at the request of Italy.

The Nine will also have to grasp an ever-painful textile nettle. Yugoslavia agreed in 1977 to quantitative restrictions on its textile exports to the EEC and the Commission is now asking for complete duty-free

entry for some of these products.

It has not, however, bowed to Yugoslav demands for scrapping a safeguard clause in the proposed agreement which would leave the EEC free to impose unilateral measures if there is "exceptional" disruption in the market for a product.

In the agricultural sector, the Commission wants to raise the quotas on Yugoslav baby beef above the limits previously imposed and also to cut tariffs and raise the quotas on its quality.

The non-trade aspects of the proposed agreement would include exchanges of economic forecasts, encouragement of industrial and agricultural investment, promotion of joint ventures, more European Investment Bank loans for Yugoslavia as well as trade credits.



## UK NEWS

## Pickets seek to block oil rig supplies

BY RAY FERMAN, SCOTTISH CORRESPONDENT



## More lay-offs likely at BSC

BY MAURICE SAMUELSON

BRITISH STEEL'S Stanton works, at Ilkeston, Derbyshire, which sent home nearly 1,000 workers last Friday, may lay off most of its remaining 3,000 employees this week as a result of the heavy picketing which yesterday halted deliveries of finished products.

Only 120 employees, members of the National Union of Blast-furnacemen, are officially on strike. Half of these are not involved directly, since they are engaged on separate contracts which last until May.

The strikers were far outnumbered by about 400 pickets who arrived yesterday from Teesside, South Wales, and Corby, Northants. They hampered deliveries of finished pipes. The plant said last night that if this pressure is maintained it will probably have to stop work and lay off most of the rest of the workforce this week.

The main steel union, the Iron and Steel Trades Confederation, has no members at Stanton, where, apart from the blast-furnacemen, most of the staff belong to the General and Municipal Workers' Union, the Transport and General Workers' Union and the Amalgamated Union of Engineering Workers.

Yesterday's picketing was largely peaceful. It succeeded through sheer weight of numbers. The blast-furnacemen's action has already resulted in the closure of the central melting plant. Distribution of metal has been made impossible. Lost production has been costing about £500,000 a week, and the first of more than 500 men to be made redundant there will leave later this month.

Pickets were also reported outside private steel stockholders in several parts of the country, although most warehouses are still functioning normally. The National Association of Steel Stockholders said that while picketing in the North East had slackened off slightly, there had been new cases in Dorset and Scotland.

GKN Steelstock, the biggest private steel warehouse group, said that picketing had started at its warehouse at Trafford Park, Manchester, but that its headquarters at Wombourne, near Worcester, was now picket-free.

NASS added that stocks of steel were still high. But if next week's threatened ISTC strike in the private sector went ahead, the tap would be turned off and stocks would start falling.

STEEL STRIKERS in Scotland stepped up their action yesterday when they sent flying pickets to Aberdeen to block the movement of steel and steel products to offshore oil rigs and platforms.

The strike committee, based in Motherwell, has decided to intensify picketing of manufacturing industries begun last week in defiance of official union policy. Other unions have agreed to support action against manufacturers so long as it only involves raw steel. Finished products and other materials are not regarded as legitimate targets.

Picketing of manufacturing industry has yet to bite in Scotland, since most com-

panies have stocks of steel on the premises sufficient to last for a few weeks or are still receiving some supplies from stockyards. However, several stockholders have had to close or limit deliveries.

The number of pickets operating in Scotland has been increased to between 600 and 700 following the decision by steel industry craftsmen to join members of the Iron and Steel Trades Confederation.

Mr. Pat Shevlin, spokesman for the strike committee, said that the bulk of 30 pickets sent to Aberdeen intended to prevent material being transferred to offshore supply vessels. This would hinder drilling and other work. They would be picketing

the four main steel stockholders in Aberdeen and the yards where pipe and other equipment is stored by companies working offshore until it is needed. Most of these depots are some distance from the harbour.

## Effect

"If we find the kind of co-operation from other unions we received in the West of Scotland, we will be able to hit the production of North Sea oil by picketing their suppliers," Mr. Shevlin said. But the steelmen are unlikely to have much effect on offshore work unless the strike is prolonged. Most drill-

ing rigs and production platforms have large stocks and little raw steel is used offshore.

Dockers and haulage drivers are unlikely to refuse to move finished products. Mr. Bill Reid, Aberdeen area secretary of the Transport and General Workers' Union, said his members would be expected to comply with union policy in refusing to handle steel.

But he added: "I doubt if we would regard pipes or other goods as legitimate targets for pickets. We are in dispute with the British Steel Corporation, but most drilling pipe used offshore comes from West Germany, Japan or elsewhere abroad."

## Jobs and plants threatened, say private producers

BY MAURICE SAMUELSON

PRIVATE STEEL producers yesterday warned of job losses and possible closures if their 20,000 employees who belong to the Iron and Steel Trades Confederation come out on strike next week.

Mr. John Paterson, president of the British Independent Steel Producers Association, appealed for the union to reconsider last week's decision to call a strike from Monday in solidarity with strikers in the State-owned industry.

He said in London that his member companies were angry at the move.

"The private sector companies are not in dispute with their employees — they have entirely separate bargaining arrangements from the British

Steel Corporation. The union agrees it has no dispute with private sector companies," he said.

Mr. Alec Mortimer, the association's director-general, said they supported the Government's general policy towards industry and the unions. In no circumstances would the association put pressure on the Government to concede the union's demands.

The producers' body represents more than 100 companies, virtually the whole private sector. A third of its 80,000 employees belong to the ISTC.

Mr. Mortimer added that the private sector had been one of British industry's success stories and the strikers' actions against it were "an act of vandalism."

Mr. Paterson, in his warning about closures, pointed out that profitable private companies were unsubsidised and could not sustain prolonged losses. Local polls and meetings showed that workers in the private industry did not wish to join the national strike.

Management was determined to provide work for as long as possible but the resolution of the dilemma lay in the hands of the union.

Mr. Paterson said the union's suggestion that private companies should protest to the Government was "arrogance."

"Our protest is to the union against its short-sightedness and lack of regard for the welfare of our employees," he added.

## Sandvik to close steel pipe factory

THE STEEL division of Sandvik UK is progressively to cease pipe manufacturing at Bentham, Gloucestershire, this year, which will result in the loss of about 70 jobs.

Mr. Frank Jowett, a director of Sandvik and head of the company's steel division, said the decision to close the factory was reached following very heavy operating losses.

"For some years now, we have been suffering from a diminishing market for large diameter stainless steel pipe because of the international slowdown in capital investment, notably in chemical, petrochemical and nuclear industries. Added to this, there is now overcapacity for this type of pipe production in Europe and Scandinavia."

Sandvik will continue to market and distribute welded pipe in the UK through Superstock, the company's stockholding operation, and through the Projects Group.

Sandvik will also continue to seek a purchaser requiring a modern plant for welded pipe in ferrous and non-ferrous materials, to enable this type of production to remain in the UK.

## Auditors 'knew of dressing'

"WINDOW DRESSING" of accounts was almost universal in secondary banking, and auditors could do nothing about it, a QC said in the High Court yesterday.

Mr. Adrian Hamilton, QC, was appearing for 29 partners in chartered accountants Harwood Bannister and Co., now part of Deloitte Haskins and Sells, who deny that they negligently audited accounts of two companies in the London and County Securities group.

Group companies lost about £8.5m as a result of the auditors' negligence, it is alleged.

Mr. Hamilton told Mr. Justice Browne-Wilkinson that the auditors admitted that they knew there was an element of window dressing in the 1973 accounts of London and County Securities Limited and its holding company, London and County Securities Group Ltd.

What was at issue was the extent of it — and what on earth we could have done about it.

A committee had been looking into window dressing for some time, but had not yet recommended how to deal with the problem, said Mr. Hamilton. Damages are being claimed against the auditors by 11 companies in the London and County group.

The counsel, Mr. Donald Nicholls, QC, said there had been "a flurry of activity in the money market" by group companies immediately before the end of its financial year on March 31, 1973. This was designed to distort the picture of the group's liquidity position. The judge had to look in the accounts for "window dressing" transactions which seemed not to have been entered into for ordinary commercial banking purposes but to artificially create an impression of a high liquidity ratio, he said.

A clear picture emerges that undoubtedly substantial steps were taken to enter into abnormal transactions, having as their object the creation of a state of affairs on March 31 which would not have been created had that not been the year end.

The hearing continues today.

## Construction orders show 8% fall

BY MICHAEL CASSELL

THE VALUE of new construction orders won by contractors in the three months to the end of November showed an 8 per cent fall over the previous quarter, said the Department of the Environment.

Provisional figures from the Department indicate that orders between September and November, expressed in constant (1975) prices, were 12 per cent down on the same period 12 months earlier.

In November alone value of all new work taken on by the construction industry in Great Britain stood at £468m, against £498m in the previous month and £474m a year earlier.

The Department said new orders in public-sector housing between September and end

November were down by 19 per cent over the preceding three months, and 37 per cent lower than 12 months before.

Private housing orders were 6 per cent lower than in June to August and 3 per cent down September-November 1978.

Public works orders received by contractors in the latest quarter were 29 per cent lower than in the preceding three months and 38 per cent down on a year before.

Private industrial orders were, however, 6 per cent up on the June-August period and 27 per cent higher than in the same period a year before.

Private commercial construction orders were 21 per cent up in September-November and 11 per cent higher than 12 months before.

## Pensioners take up new retirement certificates

BY MARTIN DICKSON

PENSIONERS took advantage of their entitlement to an extra £500 worth of index-linked retirement certificates in December, according to Department for National Savings figures.

The increase in the maximum holding from £700 to £1,200 at the beginning of the month was responsible for the Retirement Issue's record monthly receipts of £150.6m. This performance contributed to total National Savings receipts of £329.5m in December, or net new investment of £130.7m after repayments of £198.8m. These figures include accrued interest on a net intake of £9.5m.

On the other hand, a net outflow of £27m was recorded from fixed interest National Savings certificates. The Department feels this could be explained by people planning to switch to the higher yielding 19th issue,

which goes on sale on February 4. Substantial outflows were also recorded by the National Savings Bank ordinary account and British Savings Bonds.

After the first nine months of the financial year 1979-80, net provisional receipts (including accrued interest) amounted to £377.2m (£312.4m). The total remaining invested at the end of December was £12.5bn.

## Northants drive to attract jobs

NORTHAMPTONSHIRE, a county with one of the fastest population growth rates in the UK, has launched a £40,000 campaign to attract jobs.

Mr. Bill Morton, chairman of the county council's planning committee, said that the county would need another 32,000 jobs over the next six years, just to accommodate school leavers.

The involvement of local people in inner-city revitalisation should be carefully fostered. In inner-city partnership programmes there should be a sub-committee for economic development uniting councillors, leaders of industry and commerce and officials from the

## Audit 'gave cause for alarm' over William Press wages

BY ANDREW TAYLOR

A ROUTINE audit of William Press operations in Scotland had disclosed matters "which gave cause for considerable alarm," a court was told yesterday.

Mr. Alec Ayliffe, the company's former internal audit manager, said he had told Mr. David Gibson, the company's Scottish area manager, that the system of paying tax-free overtime to William Press employees as if they were on the payroll of a labour-only sub-contractor was unlawful.

Mr. Ayliffe was giving evidence on the sixth day of committal proceedings against William Press and 11 of its executives who are charged with conspiracy to defraud the Inland Revenue. Two other men are charged with false accounting.

Mr. Ayliffe said he was sent, as an employee of Tansley Witt, accountants, to carry out an "efficiency audit" of William Press Scottish operations in

June, 1973. He had investigated methods of paying wages and had become concerned about procedures in the company's Renfrew office.

He told his superior, Mr. Edward Swaysland, a partner at Tansley Witt, that apparently when men worked overtime the hours were recorded on a labour-only sub-contractor's documentation instead of on the Press payroll. On the Press payroll it indicated that they were being paid only for a basic 40-hour week.

## New systems

Mr. Swaysland is one of the two men accused of false accounting. The other is Mr. Brian Buckley, the company's taxation manager.

Mr. Ayliffe said other matters concerning the Press payroll had given cause for alarm, "specifically wage allowances, subsistence allowances and other non-taxable extras." He had discussed his concern at a

meeting with Mr. Buckley and Mr. Cecil Nightingale, manager of the company's special services department.

He later received a letter from Mr. Nightingale about the introduction of new systems, which said "necessary changes have been made and the irregularities have been discontinued."

He was unable, however, to return to Scotland as an employee of Tansley Witt to examine the new systems, because of other work.

He said that while he was an employee of Tansley Witt he had never been asked by Mr. Swaysland, who was in charge of the audit, to put in "black and white" his reservations about the Scottish operations. Mr. Swaysland had told him to "view it with Nelson's other eye."

He was dismissed by William Press in 1976 but has claimed unfair dismissal.

## £1m site to 'stimulate industry'

BY RHYNS DAVID

THE Greater Manchester Economic Development Corporation set up last year by local authorities in the area to stimulate new enterprise — is buying a 77-acre industrial site at Bredbury for £1m in a joint deal with Stockport Council.

The site has been purchased from Christian Salvesen Properties, which acquired it through the takeover of Jacksons (Bredbury) Brick Works.

The corporation said yesterday it intended to start developing the site quickly, possibly in June or July.

Mr. Leslie Boardman, the general manager, said they would adopt a flexible approach and make sites available to industry for owner occupation on a freehold or leasehold basis. Alternatively, units built by the corporation could be leased or purchased.

The site is almost 40 per cent of total available industrial land in Stockport, where demand for space is buoyant. The corporation expects little difficulty in attracting potential clients because the site enjoys very good communications.

It is within one mile of a new extension to the M63 by-pass, which will have its own access point nearby when the next stage of the motorway is completed. Under the deal worked out with Stockport Council, the corporation will carry out all servicing of the land and will receive in return about £500,000 towards the cost of infrastructure.

The corporation was launched last October with backing of £5m from Greater Manchester County. It has wide powers to assist industry with loans and grants or by acquiring, develop-

ing and managing industrial land.

The other major scheme currently under way is a refurbishing of former weaving sheds at Prestwich. The project is being carried out in conjunction with Mount Heath Properties at a cost of more than £1m.

It involves converting 200,000 sq ft of factory space into 14 separate units of varying size totalling 145,000 sq ft.

## Miller's to shed jobs

TWENTY jobs are to be lost by the end of the week at one of Cumbria's main shoe factories, and the rest of the workforce are to go on a nine-day fortnight.

Miller's, which with 1,100 workers is Cumbria's largest shoe factory, blames the steel strike and uncertain trading conditions for the cutback. The lay-offs come only weeks after the closure of the Bata shoe plant, also a major part of the Cumbrian shoe industry.

Managing director Alan Miller said negotiations with the unions have already started.

## Ransome Hoffmann

Pollard chairman MR. JOHN ECKLES, who was mentioned yesterday as one of the past candidates for the chairmanship of the British Steel Corporation, is no longer chairman of Ransome Hoffmann Pollard. He vacated this post last year, but remains a non-executive director. The present chairman is Mr. David Ewart. The Financial Times apologises for the error.

## Inner-city revival vital—Shore

BY ROBIN PAULEY

FUTURE generations will face poverty traps, ethnic ghettos, violence, and physical and moral decay unless the Government commits itself to a revival of inner cities, Mr. Peter Shore, the former Environment Secretary, said last night.

Mr. Shore, Opposition spokesman on foreign affairs, was giving the Thomas Cubitt Lecture on "Urban decay: its symptoms and remedies" at the Royal Society of Arts in London. "There must be a commitment to resource and financial discrimination in the inner cities' favour for at least a decade ahead," he said. Only such action could supply the confidence needed to encourage investment.

Health services in the inner

cities should be re-examined and a sensitive modification of regional commitments made in favour of inner cities.

The "modest" three-year programmes of cleaning and re-using urban land should be extended, and inner cities should have clear priority over the rest of their regions in industrial assistance, Mr. Shore said.

The involvement of local people in inner-city revitalisation should be carefully fostered.

In inner-city partnership programmes there should be a sub-committee for economic development uniting councillors, leaders of industry and commerce and officials from the

Industry, Environment and Employment Departments.

Mr. Shore said the controversial proposals to establish urban development corporations for the London and Merseyside docklands should be adopted only with the agreement of local authorities. An industrial and commercial development agency should be considered as an alternative.

The formal creation of the urban development corporations is expected in the Local Government Planning and Land Bill to be introduced into the Commons tomorrow.

All five Labour-controlled London boroughs concerned are vehemently opposed to the idea, although Liverpool City Council

supports it.

Imposition of the corporations would cause dissension and delay, Mr. Shore said. The main objection was that they would have planning powers requiring the revision of the Land Use Plan and the hold-up of new development until that was done.

To minimise the delay a corporation would have power to impose its plans, while no public inquiry was envisaged before a Designation Order.

Such a procedure was bound to provoke hostility, Mr. Shore said. An alternative was an industrial and commercial development agency with specific functions, acting with the present Land Use Plan.

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## UK NEWS

## Car production fall forecast

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE ECONOMIST Intelligence Unit forecasts that the number of cars produced in the UK this year will fall to 950,000, the lowest level since 1977.

The unit's latest Motor Business report, states this would also represent a fall of about 13.5 per cent on 1979 production, which came out at about 1.1m and was more than 10 per cent down on the previous year's 1.22m.

"The sector is on the verge of being overtaken by the Spanish motor industry in terms of unit output," the unit points out.

Last year's downturn in car production reflected industrial disputes at BL, Vauxhall and Talbot (formerly Chrysler UK)—Ford had a relatively dispute-free year—which prevented the manufacturers taking full advantage of a very buoyant home market.

However, the unit forecasts that the new car market will fall by about 10.5 per cent from 1.7m to 1.53m in 1980 because the UK economy faces a difficult time.

"Businesses are going to face increasing liquidity pressures as the year progresses and this is certain to affect their capital outlays—especially for such items as cars."

"This squeeze will also be felt in the private sector where potential consumers—faced with rising inflation and pressures on incomes through higher mortgage repayments—will probably adopt a cautious approach to items involving major expenditure," the EIU comments.

Within the total of 1.53m, importers will continue to do well, the report suggests, and account for nearly 60 per cent of new cars registered.

"BL will need the Mini Metro and Bountie (its proposed Honda model) in order to stand still—let alone claw back its lost position. . . . Short term, BL's position is decidedly sticky and we expect the company's market share to slip—probably to around 17 to 18 per cent. Improvements to existing model ranges, and notably the Marina facelift scheduled for the mid-year, will help but on their own will be insufficient to arrest a further decline."

Apart from problems in the UK, the British manufacturers' output for export is also expected to fall this year, by about 12.5 per cent on 1979's level to 350,000 cars.

The unit's forecast for commercial vehicle output this year suggests a 9.5 decline to 370,000 in 1980. Within the overall total, the output of commercial vehicles for export is expected to slip 2.5 per cent to 172,000.

The UK market for new commercial vehicles is predicted to show a 15.1 per cent fall in 1980 to 255,500.

In perhaps the one bright spot in the forecasts, the EIU states that the importers' share of the new commercial vehicle market should fall this year from 22.8 per cent to 22.5 per cent.

Motor Business No. 100, Economist Intelligence Unit, 37, St James's Place, London SW1A 1NT.

## Tax delays and phone strike lift borrowing

By David Marsh

SIGNS THAT the public sector may overshoot its borrowing target this financial year have been caused by delays in revenue collection rather than fundamental flaws in the Government's income and expenditure forecasts, according to Mr. John Biffen, Chief Secretary to the Treasury.

Slow payments of value added tax and delayed receipts of Post Office bills following the telephone strike had "frustrated" part of the original Budget calculations, he told a meeting of the bank and finance study group of the Operation Research Society yesterday.

The public sector borrowing requirement for the year ending in March has been set by the Government at £8.3bn, but estimates by City analysts are about £8bn.

Mr. Biffen, who at the weekend hinted at increased health charges as part of the latest programme of spending cuts, said it was impossible to say how long the Government's policies would take before they started to bring down inflation and increase growth.

Asked whether he feared the risk of alienating large sections of the electorate through the Government's tough policies, Mr. Biffen said that the Government must expect a period of unpopularity. This was a true test of a mature democracy.

"Do not ask me to guarantee electoral salvation," he said. "I do not think I can do it—it would be playing false." The Treasury would publish a full public expenditure white paper in March.

## Local authorities' commitment accounting cleared

BY ROBIN PAULEY

THE DEPARTMENT of the Environment has confirmed that it does not regard the practice of commitment accounting by local authorities as necessarily bad and sees no reason to stop it.

Local authorities use commitment accounting in an attempt to ensure that they spend their full budget provision before the end of the financial year. Technically, it means ordering shortly before the financial year-end and including the items in the accounts although they have been neither delivered nor paid for.

It is widely used by local authorities and probably also by ministerial departments, but has been the subject of controversy in Northamptonshire where a campaign by ratepayers has forced the county council to abandon it.

The main argument against commitment accounting is that it is a device for spending up to the budget limit—and hence justifying a larger budget next time—it also produces accounts which are not true and fair and is not a practice allowable in commercial sector accounting.

The Northampton industrial ratepayers action group complained that about £135m of liabilities were included in the county council's balance sheet submitted for audit when they had not been received and when no delivery notes or invoices existed.

As a result the county treasurer has stopped the practice and from March 31 "creditors will be defined strictly in respect of goods and services delivered" by that date.

The action group argued to the Department of the Environment that the practice should be stopped throughout the public sector because it was at variance with accounting rules and practices of commercial companies.

The department rejected this argument because of the rules saying that provision should be made for all known liabilities and that they should be included on the basis of expenditure incurred. But these rules apply to accounts intended to give details of profit and loss.

Local authorities were non-profit-making, did not pay tax, had no share capital, and their income was not specifically related to services rendered.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has endorsed the practice of commitment accounting where commitments are distinguished from liabilities and shown separately in the balance sheet.

The Northampton ratepayers had argued that orders, where they concerned revenue items, were shown as expenditure in the year or years in question. Thus, the balances to be carried forward are artificially reduced and it may be that the rates are fixed on a wrong basis when commitment accounting is used.

The department's reply is that rate fixing takes account not only of estimated income and expenditure but also of the estimated cash flow position. The amount of cash required from rates in a year was not affected by commitment accounting.

FT SURVEY OF CONSUMER CONFIDENCE  
Economic policy deepens pessimism over future

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

CONSUMER CONFIDENCE shows no sign of recovery from the slump reached in the latter half of last year, according to the latest Financial Times Survey of Consumer Confidence published today.

The survey shows that in early January consumers' confidence in the future of the economy slipped even further to reach minus 41 per cent. This level of pessimism has only once been exceeded during the past decade—during the 1975 economic crisis.

But the six-monthly index, which reflects the trend in confidence, has slipped to its lowest ever in the 10 year history of the survey. In January, the six-monthly index was minus 36 per cent.

The January survey of more than 1,000 adults shows that 53 per cent expect conditions to worsen, while 12 per cent expect the economy to improve. The balance thought it would stay the same.

This gives an index figure of minus 41 per cent, compared with minus 40 per cent last month. In January last year, at the height of the industrial disputes, the index stood at minus 27 per cent, while in May last year it stood at plus 9 per cent.

## Steady fall

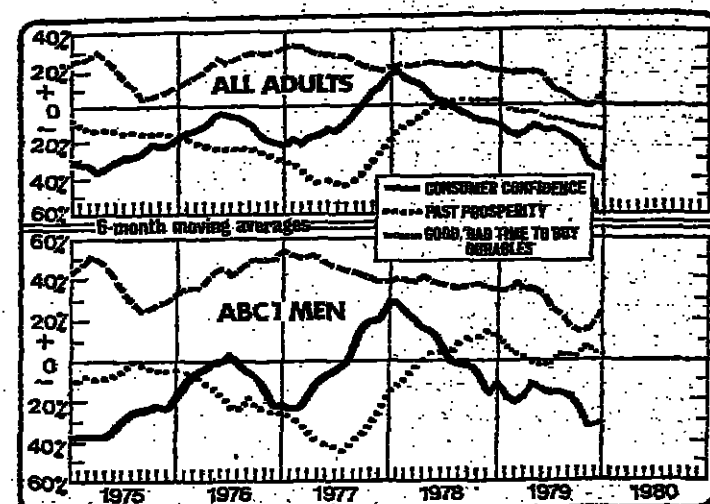
In fact, since the rise in confidence during the General Election, the index has steadily fallen back to its present low level.

Rising prices was again the main reason for pessimism in January, cited by 35 per cent of consumers surveyed. However, this reason was given by fewer pessimists this month than in December.

The two areas of increasing concern appear, according to the survey, to be a belief that the Government's economic policies are wrong—cited by 19 per cent of the survey—and the increase in industrial disputes. This was given as the main reason by 18 per cent, compared with only 12 per cent last month.

Unemployment as a reason for pessimism has risen slightly—from 12 to 14 per cent—while just over a fifth of pessimists expect the trend to worsen.

Of the few optimists in the survey, the only main reason for optimism was that the Government was pursuing the right economic policies. Almost half of those expressing



optimism, however, simply gave the reason that "things must improve."

Analysis of the survey shows that the decline in overall confidence was due to a fall in optimism by women of all social sub-groups. Middle-aged consumers—between the ages of 35 and 54—remain the least confident of consumers surveyed in spite of a sharp increase in their confidence level in January.

The gloom over future confidence was also reflected in consumers' opinions of how they stood in relation to a year ago. The index for past prosperity dropped a further two points to reach minus 16 per cent. Some 24 per cent of the survey felt better off than a year ago, while 40 per cent felt worse off. This makes the six-monthly index minus 14 per cent—lower than at any time in the whole of last year.

## Discrepancy

Analysis of these figures show that the overall decline in feelings of prosperity can be most clearly felt in the C2DE (manual worker) social sub-groups. There is a very big discrepancy between white-collar workers and manual workers, according to the survey, with both men and women in the ABCI groups (professional and executive) having positive indices, and both C2DE groups having negative indices.

In spite of the lack of confidence and feelings of prosperity, the survey revealed a sharp increase in consumers believing that this was a good

time to buy durable goods. The "time to buy" index rose from minus 4 per cent last month to plus 13 per cent in January. This puts the six-monthly index at plus 6 per cent—compared to plus 1 per cent last month—although last January the six-monthly index was at plus 19 per cent.

The rise in the index this month had been anticipated since the January sales are traditionally considered the time to buy consumer durables on special offers.

## Unemployment

The unemployment index fell by 1 per cent to plus 34 per cent. This shows that some 45 per cent of consumers felt unemployment would increase, while only 11 per cent thought it would decrease.

An extra question asked this month found consumers almost equally divided as to whether their standard of living would rise or fall during the 1980s. Some 29 per cent thought it would rise, while 28 per cent thought it would fall. But the biggest group, 37 per cent, thought it would stay the same.

Of those expecting their standard of living to rise, it is noticeably the young (under 34) and ABCI groups who are most optimistic.

The Financial Times Survey of Consumer Confidence was carried out between January 3 and 9 by the British Market Research Bureau on behalf of the Financial Times. A sample of 1,047 adults was interviewed.

## Treasury 'can aim high on money supply'

BY DAVID MARSH

THE TREASURY and the Bank of England should aim for money supply growth at the upper limit of their present 7 to 11 per cent target range, stockbrokers W. Greenwell says in its latest monetary bulletin.

Inflation is now expected to peak at about 21 per cent in the second quarter of 1981. When the money supply target was set the official forecast was for a peak of 17.5 per cent towards the end of last year.

Because prices are rising faster than expected, money supply growth around the midpoint of the current target range would make the monetary squeeze considerably more severe in real terms than was originally intended, says Greenwell.

The bulletin says latest monetary data from the Bank of England indicates that underlying monetary growth since mid-June has not exceeded the 7 to 11 per cent range by more than 2 per cent. The Bank should be able to sell enough gilt-edged stock in coming months to reduce monetary growth below the upper limit of the range.

Favourable factors coming up include the substantial sales of gilt-edged stock this month, the large sales of National Savings Certificates expected when the next issue becomes available next month.

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## Bleak future for North attacked

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE INDUSTRIAL and economic situation in the Northern region is "about as bleak as one could imagine," and the employment outlook there is "potentially disastrous," Mr. Ian Wigglesworth told the Commons yesterday.

Labour's Civil Service spokesman, opening an Opposition debate on the problems of the North, strongly attacked the Conservative Government's regional policy.

At the moment, he said, there were 117,000 men and women without jobs in the region. That was a rate of 8.5 per cent unemployment, 5 per cent higher than the rate for the rest of the country.

"On the national forecasts that had been made we may be going up from 117,000 towards the figure of 150,000," he declared.

Mr. Wigglesworth (Lab., Thornaby) said there was an urgent need for the Government to fulfil Labour's election pledge to set up a Northern Development Agency to co-ordinate industrial regeneration plans for the area.

The agency should have substantial initial capital to carry out the job promotion programme that was currently the responsibility of the Department of Industry and others.

He stressed that the idea for such an agency was supported by the CBI's regional committee in the North.

"What we want to see is a focal point for job creation in the region," he said.

The Government had done nothing at all to help matters in fact by "rolling back intervention" in the regions it had made matters worse.

The national economic prospects were grim due to the Government's obsession with monetary policy. Industry was being punished by high interest rates and low investment.

In support of this, Mr. Wigglesworth quoted a letter which he had received from the chairman of the Teesside Small Business Club.

This said: "May I say it is the consensus of opinion that the Government has not as yet done anything concrete for small business. On the contrary, the increase of bank rate had a terrible impact."

Mr. Wigglesworth urged the Government to restore the level of grant to what it was under Labour. Proposals for obtaining more regional funds from the EEC should also be pursued vigorously.

There should be no departure from the policy of redistributing Government and public expenditure in favour of the needy regions.

Mr. Wigglesworth argued that the country was still split into two nations, with the North suffering economic deprivation to an extent not fully appreciated in the South.

"There has always been a big gap between the regions and that is now widening."

In the North there were 10 unemployed people for every vacancy while in Great Britain as a whole the figure was only one.

The Government was forecasting a drop in private and public investment in the coming year. There would also be a substantial fall in the growth of the economy.

All of this would come on top of the troubles created by the decline of traditional

industries in the North. Sir William Elliott (C., Newcastle upon Tyne N.) said that Labour's policy of public aid for the region had not solved the problem of unemployment.

In fact, under previous Labour administrations unemployment had risen while under the Conservatives it had fallen.

The present Tory Government had been elected to change course on economic policy because the previous Labour Government had failed.

People had to accept that the country was going to have smaller workforces, particularly in heavy industries.

He emphasised the role of the English Industrial Estates Corporation in bringing employment to the North. The corporation now had 44 factories being built and the stock he ready by May. There had already been considerable demand by tenants.

## Welsh TUC expects 200,000 to back strike

BY ROBIN REEVES, WELSH CORRESPONDENT

AT LEAST 200,000 workers will participate in Monday's one-day Welsh national strike against the steel and coalmines closures threatened in South Wales, Mr. George Wright, general secretary of the Wales TUC, predicted in Cardiff yesterday.

After a meeting of officials from 20 unions to complete details for this "day of action," Mr. Wright said a minimum of 100,000 in steel, coal and related industries would stop work for 24 hours.

At least 100,000 more, he said, would support the protest by striking for short periods or attending rallies in towns throughout Wales.

Mr. Wright forecast that the strike would halt the coal, docks, railways, road haulage and certain sections of the engineering industries.

It will be called off only if the British Steel Corporation agrees to abandon negotiations to increase its imports of cheap coking coal at the expense of British, mainly Welsh, coking coal.

The Wales TUC regards the one-day stoppage as a prelude to an all-out strike from March 10 in the Welsh coal, steel and transport industries, with supporting action from other parts of the country, unless BSC and the Government agree to a two-year postponement of the mass redundancies planned in the steel industry.

In Wales, BSC's programme involves halving of steel production and 11,300 redundancies at Port Talbot and Llanwern, plus probably several thousand more job losses in tinplate and other associated plants.

Combined with a switch to cheap imported coking coal, the National Coal Board has warned BSC's policies will result in closure of 21 collieries and loss of some 15,000 miners' jobs in the South Wales coalfield.

Welsh miners' delegates meeting in Bridgend yesterday gave unanimous backing to the Wales TUC strategy of opposition to these cuts.

Demands for earlier all-out action if BSC went ahead with its foreign coking coal purchases

were met by assurances that South Wales dockers would continue to black coking coal imports until the issue was satisfactorily resolved.

Given the service and other industries in the region dependent on the coal and steel industries, there is widespread agreement that overall at least 50,000 jobs will disappear in Wales this year if BSC's programme is pushed through by August as planned.

Distribution of 100,000 Wales TUC leaflets began yesterday, urging support for the one-day strike and forecasting that without delay in the BSC cut-back Welsh unemployment would increase from 8 per cent to beyond 15 per cent next year, "making Wales the hardest-hit region anywhere in Europe."

"Service and local government jobs would also vanish as the effects of this contraction work on their way through our economy," it says.

The TUC General Council is due to discuss its approach in London tomorrow.

## Moves to blackball European members

By Elinor Goodman

Westminster has been described as Britain's most exclusive club and some of its members are now plotting to guard their privileges. MPs on both sides of the House are working to ensure only the "right" kind of people are admitted to the House of Commons.

The House of Commons is a club and it is the duty of its members to ensure that it remains a club for the people of this country. It is not a place for anyone who has not earned the right to be there.

## Grudging

The most generous proposal likely to win grudging approval is that the Euro-MPs should be treated like research assistants and be allowed basic access to the Commons and perhaps to catering facilities in one of the House's many subsidised dining-rooms.

But even that would be too much for a vociferous minority of MPs. One long-serving Tory back-bencher says Euro-MPs should be appointed as temporary hedge messengers "to let them see how real MPs work."

As present Euro-MPs are treated like any other member of the public. They have no passes to the building.

They want the facilities which claim are necessary to do their job properly: free access to the Palace, especially its library facilities and preferably the freedom to sit in on back-bench committees.

Some also want access to the bars and others suggest that they should be given at least one room near the House which they could call their own.

"Kind of talk upsets those MPs who believe that once they are in they will start demanding more and more privileges."

"Before you know where you are," one Tory said, "they'd be in the smoking room."

The matter is now being considered by the services committee of the House. Later this month it will see representatives of both Strasbourg delegations.

But assuming the committee recommends any significant change, some MPs are bound to press for a full debate, probably with the support of the opposition.

## Pecking order

Already, some MPs are arguing that a simple majority in favour of change would not be enough, just as in a club a minority of members would be able to blackball persons they disapproved of.

The dispute could exacerbate the already-strained relations between Euro-MPs and those at Westminster. A minority of whom regard the European Members as somewhere below parish councillors in the political pecking order.

Most Labour MPs also argue that conditions for Westminster MPs are bad enough without letting in the Euro-MPs.

Tory anti-Marketisers have been joined by constitutionalists in arguing against any change in the existing arrangements.



NO. 10 TALKS: Mrs. Thatcher met both sides in the steel dispute yesterday. Left: Mr. Bob Scholey and Sir Charles Villiers. Right: Mr. Sandy Feather, Mr. Bill Sims, Mr. Hector Smith.

## Remedial help for Wales

BY IVOR OWEN

REMEDIAL measures to help the areas which will be hardest hit by the loss of 10,000 steel jobs at Llanwern and Port Talbot are being considered by the Government as a matter of urgency, Mr. Nicholas Edwards, Welsh Secretary, stated the Commons yesterday.

It became clear later that proposals under consideration involve reversing earlier decisions to downgrade the status of the Newport and Port Talbot travel-to-work areas for regional aid purposes.

New facilities for industrial training and retraining covering a wide area of South Wales are also being considered.

Mr. Edwards strongly denied Opposition charges that Government policies were resulting in the de-industrialisation of Wales and warned that the one-day general stoppage by steel, coal and transport workers next week would only exacerbate an already difficult situation.

Following the lead of the

Prime Minister, he stood firm against Labour demands, led by Mr. Denzil Davies (Lab., Llanelli) for a relaxation of the March 1980 break-even date set for the British Steel Corporation.

Mr. Davies, former Treasury Minister, described the March deadline as unrealistic. Its effect would be to destroy the Welsh economy and turn South Wales into an industrial wasteland.

The Welsh Secretary retorted: "I deplore the continued suggestions that these decisions—and I do not underestimate the consequences—will turn South Wales into an industrial desert."

"I do not believe it is helpful."

Mr. Edwards spoke of the encouragement he had gained from going round the industrial sites in Wales and seeing new companies getting established and others already operating successfully.

To talk of South Wales be-

coming an industrial desert was not a true picture.

Selective import controls to help the steel industry and the metal-using industries were urged by Mr. Dafydd Wigley (PC, Caernarfon). Such a policy would save thousands of jobs and have little impact on prices.

Refusing to contemplate such a step, Mr. Edwards maintained that import controls would have "disastrous economic consequences" for Britain.

He also refused to accept Opposition charges that Government policies were responsible for Wales facing the highest level of unemployment since the 1930s.

He stressed that when the Government took office in May, the unemployment figures in Wales were already showing an upward trend.

At a time of world recession and economic difficulty he admitted, it was likely that unemployment figures would rise further.

Another block of seats might be reserved for local government leaders — who would be elected in the normal local government elections — while the church judiciary might also be given guaranteed representation.

A final block of seats would be reserved for members of the various parties who would be selected by the political parties. Once appointed, they would probably serve for life.

In Opposition, the Tory Party proposed a number of radical proposals for reforming the Lords. But to the disappointment of reformers within the party, the manifesto made no mention of the constitutional committee for which they had hoped.

Instead, it stressed the necessity of a strong second chamber and left open the possibility of reform.

Nevertheless, some members of Mrs. Thatcher's Cabinet—notably Lord Carrington—may well try to persuade the Parliamentary leadership to take action on this front as necessary.

## Opposition divided on economy

BY RICHARD EVANS, LOBBY EDITOR

MR. DENIS HEALEY, Shadow Chancellor, clashed with Mr. Eric Heffer (Liverpool Walton), yesterday over the Labour Party's attitude to economic policy in general and incomes policy in particular.

The argument came at the meeting of the TUC-Labour Party liaison committee, called to discuss economic issues and to plan reaction to Government policies.

Mr. Healey complained that a Labour Party research document before the committee, which advocated import controls and the alternative "siege economy" failed to put up a viable counter-inflation policy.

Mr. Healey also argued that the Party and the unions should prepare a coherent attitude towards incomes policy, which the Party document had failed to do.

Mr. Heffer, a member of Labour's National Executive Committee, pointed out that the TUC's economic review, which was also on the agenda, had advocated import controls in certain circumstances, but had not mentioned incomes policy.

The clash underlined the continuing divisions within the Labour movement over economic strategy at a time when Labour leaders are anxious

to present a unified opposition to Government policies.

Nevertheless, the committee highlighted the sharp deterioration in economic performance over the past nine months, whether measured by output, employment, investment, inflation, or the balance of payments.

The liaison committee is to examine further medium-term policies for the 1980s, particularly those which could stem the tide of de-industrialisation and increased import penetration.

There will also be a joint statement presented on economic policy, following presentation of the budget on March 25.

## Labour's self-appraisal starts

The Commission of Inquiry will deal first with issues uniting Left and Right.  
PHILIP RAWSTORNE reports.

LABOUR'S commission of inquiry today makes a belated start on its wide-ranging examination of the party's organisation.

The trade union leaders and politicians who will meet at the Commons are expected to turn their immediate attention to the party's most pressing problems: its declining membership and its scanty funds.

By focussing the inquiry on these issues first, the commission hopes to damp down the Left-Right struggle for power which has bedevilled its own establishment and threatened to nullify its work.

The controversial questions on which the struggle has so far centred—the re-election of Labour MPs, election of party leader, and control of the manifesto—will be pushed down the agenda.

Labour's "moderates" still have hopes that the Left-dominated National Executive will signal its willingness to compromise tomorrow by loosening a little the firm grip which it has so far insisted on maintaining on the membership of the commission itself.

Mr. Alex Kitson, the Left-wing vice-chairman of the party and transport union official, could be dropped from the inquiry, they believe.

Mr. Norman Atkinson, the party treasurer and another leading Left-winger, could be demoted to non-voting membership in tandem with Mr. Michael Cocks, the Labour Chief Whip.

The commission will thus comprise Mr. Moss Evans, Mr. David Basset, Mr. Clive Jenkins, Mr. Bill Keys and Mr. John Boyd from the trade unions.

Mr. Anthony Benn, Mr. Eric Heffer, Mr. Frank Allaun, Miss Joan Lester and Miss Jo Richardson will represent the National Executive, and Mr. James Callaghan and Mr. Michael Foot the Parliamentary Party.

The Left thus retains a decisive majority—unless the trade union members act as a group in support of

Mr. Callaghan. It is probably the prospect of just such a move that will today ensure priority is given to examining all aspects of increasing party membership and improving its finances.

Many trade union leaders have shown increasing impatience with the recent Left-Right bickering which has diverted the party from more urgent problems of organisation.

The commission, as its terms of reference disclose, has plenty of pressing problems to resolve. It has to examine and improve the party's organisation for fighting elections, including the deployment of its full time staff and agents.

Reforms have to be considered to raise the level of political education, both in the party and the trade unions. More controversially, the Commission is charged with reforming the policy making process of the party, making it

more democratic and accountable. This could include changes in the make up and agenda of the annual conference, in the membership of the national executive, and in every part of the party's organisation down to ward level.

It would involve the balance of powers between the conference, national executive and the Parliamentary leadership, and the crucial determining influence on the party's future election programmes.

Even if, as expected, it devotes much of its detailed inquiries to specialist panels, its programme cannot possibly be completed before the autumn of 1981.

In the next five months, it has to prepare an interim report for this year's party conference. The exhaustive study that the rebuilding of party membership and finances needs will make it doubtful whether the commission can progress beyond these two issues by then.

The manner in which it deals with these priorities may determine its success later in resolving the potentially more divisive aspects of the party's structure.

## Tories face pressure to reform Lords

By Elinor Goodman

PRESSURE for reform of the House of Lords is building up in the Tory constitutional committee. An informal working party is understood to have been set up, with the aim of reducing proposals which could be used as the basis for discussion within the party.

Supporters of reform will then try to get the debate going on the basis that the Conservatives do not reform the Lords while in Government. Labour might abolish the second chamber altogether if returned to power.

Two sets of proposals seem likely to emerge.

Those in favour of radical change are said to advocate the replacement of the Lords with a second Chamber elected by proportional representation.

This would be anathema to many Tories, including, probably, the Prime Minister and many Cabinet members.

Rather than see the idea of reform dismissed out of hand, another group within the committee is advocating a more modest reform which would incorporate some of the hereditary peers and enable the political parties to continue maintaining some life peers.

Opinion among this second group seems to be veering towards dividing the members of the second Chamber into a number of different categories.

A minority of seats would be reserved for hereditary peers. But the peers themselves would have to decide which of their number sat in those seats.

Another block of seats might be reserved for local government leaders — who would be elected in the normal local government elections — while the church judiciary might also be given guaranteed representation.

A final block of seats would be reserved for members of the various parties who would be selected by the political parties. Once appointed, they would probably serve for life.

In Opposition, the Tory Party proposed a number of radical proposals for reforming the Lords. But to the disappointment of reformers within the party, the manifesto made no mention of the constitutional committee for which they had hoped.

Instead, it stressed the necessity of a strong second chamber and left open the possibility of reform.

Nevertheless, some members of Mrs. Thatcher's Cabinet—notably Lord Carrington—may well try to persuade the Parliamentary leadership to take action on this front as necessary.

## Water workers' pay talks to resume

BY PHILIP BASSETT, LABOUR STAFF

PAY negotiations for 33,000 manual workers in the water supply and sewerage industry, who have threatened a total strike over their claim for comparability with gas and electricity supply workers, will be resumed next week.

The unions made clear in their statement to the employers, the National Water Council, that they expected a favourable reply to their notification of their readiness to strike, or they would draw up detailed plans for the stoppage.

Though the employers' side has not yet formally discussed the unions' response to the original offer of 13.1 per cent, the council will hold an employers' meeting tomorrow on the unions' reply — officials were agreeing yesterday that the formal negotiations would not be resuming if there was nothing to put to the union side.

An improved offer is therefore expected to be tabled when negotiations resume on Monday. But the employers will still have to wrestle with the problem of funding improvements. Staff with 12 months' service would be entitled to 19 days holiday, those with five years' service 23 days and with 10 years, 24 days.

The offer also increases the payment for rotating shifts by 5.6p an hour and for alternating shifts by 3.5p an hour. Other allowances would also be improved.

per cent pay package out to union members for consultation.

Final improvements were made to the offer yesterday on holiday entitlement before the union side agreed to put it to members.

The offer would give increases averaging 11.9 per cent on pay. Workers in the lowest pay band which with the next up the scale comprises the bulk of the ancillary staff would move from the present rate of £47.28 to £53.07, with a further £1.36 due in April from the second stage of the Clegg comparability commission's award to take the rate then to £54.45.

Those on the highest pay band would move from the present rate of £61.82 to £69.81, backdated, as with the whole offer, to December 13, and then to £75.17 on April 1 with the £5.36 due from the Clegg award.

The present service supplements have been subsumed into service days under the offer to give improved holiday entitlements. Staff with 12 months' service would be entitled to 19 days holiday, those with five years' service 23 days and with 10 years, 24 days.

The offer also increases the payment for rotating shifts by 5.6p an hour and for alternating shifts by 3.5p an hour. Other allowances would also be improved.

## Meccano workers decide to continue occupation

BY GARETH GRIFFITHS, LABOUR STAFF

THE MECCANO workforce in Liverpool gave their approval yesterday to a joint trade union and management working party which will consider outside bids for the plant, and also voted overwhelmingly to continue their two-month-long factory occupation.

A mass meeting attended by two-thirds of the 940 employees called for much greater detail on Airfix Industries' plans. Shop stewards said the terms offered were too vague and the meeting rejected suggestions that the workforce should have the option of immediate redundancy payments.

Mrs. Pat Turner, General and Municipal Workers' Union National Officer, said last night that fresh talks were planned between union negotiators and Airfix tomorrow. The company has accepted union demands that the occupation of the plant should be included as part of the 90 days statutory notice.

There would be no legal action taken against the sit-in until February 28.

The working party had six weeks to find an alternative buyer for the plant before the 90 days ran out, she said. While the union side has given up hope of preserving all the jobs, it will press for a solution that would save at least 400.

Mr. Mike Egan, the union's Liverpool district officer, indicated yesterday there could be some sort of trade-off between the unions and the Maharishi Yoga's Transcendental Meditation movement.

The Meditation group, which has shown interest in buying the plant, is against the closed shop arrangements at the factory, and there have been union reservations over compulsory meditation. Some kind of deal could be arrived at, Mr. Egan said.

Shop stewards at the plant said they now wanted figures about the scale of redundancy payments. The Employment Department is still with-holding redundancy payment rebates from Airfix Industries because the reasons it gave for closure were not good enough for breaking the 90-day rule.

weeks to find an alternative buyer for the plant before the 90 days ran out, she said. While the union side has given up hope of preserving all the jobs, it will press for a solution that would save at least 400.

Mr. Mike Egan, the union's Liverpool district officer, indicated yesterday there could be some sort of trade-off between the unions and the Maharishi Yoga's Transcendental Meditation movement.

The Meditation group, which has shown interest in buying the plant, is against the closed shop arrangements at the factory, and there have been union reservations over compulsory meditation. Some kind of deal could be arrived at, Mr. Egan said.

Shop stewards at the plant said they now wanted figures about the scale of redundancy payments. The Employment Department is still with-holding redundancy payment rebates from Airfix Industries because the reasons it gave for closure were not good enough for breaking the 90-day rule.

## Post unions fight to keep board places

By Nick Garnett, Labour Staff

UNION REPRESENTATIVES have told the Post Office that they are dissatisfied with the proposals put forward by management to replace the scheme of worker-directors on the main board, which is to end with the corporation's restructuring.

The unions suggest a basic continuation of the principle of worker-directors for the two new boards, for Posts and Telecommunications, with fewer members on each board, set up as part of the splitting of the Post Office into two corporations.

Sir William Barlow, the Post Office chairman, was apparently unimpressed with the arguments of the unions in support of union officials serving on the new boards.

Management has proposed setting up national joint policy councils for both Posts and Telecommunications which would operate below the main boards.

Union representatives would sit on these councils, which management says would provide as much scope, or more, for staff to influence major board decisions.

The unions say that this falls far short of the consultative system under the two-year worker-director experiment, which involved seven trade unionists and two consumer members on the board.

The Post Office sent a letter yesterday to telecommunications unions on industrial relations proposals, one of which is to send emergency estimated telephone bills in any stoppage of billing work.

## Shell drivers to ballot on pay offer

SHELL SHOP stewards decided yesterday to put out to ballot the company's last pay offer to its tanker drivers. A further delegate meeting has been arranged for next week to assess the vote.

Shell has now withdrawn the productivity conditions attached to the lump sum payment of £150 which is one of the elements of the offer. The proposals give a 17.95 per cent increase on basic rates and other improvements worth an estimated 22 per cent over the year.

BLUE CIRCLE industries yesterday denied it had any present intention of closing the Magheramorne cement works, Larne, Northern Ireland.

But the company said it could be forced to close the works "if the present action by some workers continues." An unofficial dispute by a section of the labour force has stopped production.

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## MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

## 'Them and us'

THERE ARE not many enlightened managers about, but there are a hell of a lot of enlightened shop stewards. Thus, needless to say, a trade unionist, speaking on last night's edition of "Panorama," the BBC-TV current affairs programme.

Panorama's idea was potentially a good one—take 22 people (half union members or officials and half managers), throw them into a bowl, let them mix, and see if they can sort out the infamous "Them and Us" problems of British industry.

The producer had found the union participants easily enough but the managers needed rather more persuasion, probably because they were not their own workforces.

The 22 spent three days last November in concentrated discussion at a former stately home in Warwickshire which is now a residential centre. The days were divided into unstructured sessions, all under the watchful eyes of two behavioural scientists; the evenings, to everyone's apparent relief, were free.

Though the exercise eventually produced at least one plus point, each session seemed to cover the same old ground, with both sides occupying the same entrenched positions, and spouting the phrases and opinions that we have all heard so often before.

A manager spoke of the unions forever harking back to the Industrial Revolution, and was immediately rewarded with talk of the conditions in 1824. The unionists wanted more power to influence decisions—it was all very well being involved in long-term planning agreements, but not to discuss the ownership of their company had suddenly changed hands.

Half way through the experiment, the frustration was obvious; the participants were depressed at the "lack of trust" between them, at the "lack of common ground" and because there were "no positive suggestions." In the evening they all took themselves out to the pub, where the stayers were talking—they were not discussing industrial relations.

Next day things could only get better.

Ian Husband, the technical director of a food processing company in Carlisle, emerged as the catalyst. He it was who tried to bring the discussion back to the personal level. "How did we get to the point where we think we're right? The difference between us is I

bloody well am right. Because I'm from both sides." A socialist manager from a working class background in Glasgow, he believed that people, whether from the management or the shopfloor, were basically the same.

When the discussion came round to feelings of inferiority and superiority (class and otherwise), David Garnett, who runs his own business and holds a Queen's Award for export achievement, explained that he felt inferior when he tried to win orders for his company in Germany. The British were handicapped by the German belief that even if they got an order, they would never meet delivery.

Resentment was a word which figured large in the executive laboratories of the hierarchy of graded dining rooms, of car parking spaces with names on Rolls Royces, large mansions and swimming pools were not resented if they had been earned through personal endeavour, but managers who felt that their status entitled them to perks were not. By the end, and probably because they knew they were near to going home, everyone had mellowed. There were still of different opinions though they had begun to understand each other. But Ian Husband, who all along had advocated that fundamentally everyone was the same, had changed his mind.

"The realisation has come to me," he said, "that we're not the same after all. The management is employed to employ the workers. That's the difference."

The programme produced no new answers. Nor was its more than double-length format (two hours) justified. But the gradual erosion of the divisiveness shown towards each other by the participants was certainly a valuable object lesson.

"How could we arrange a similar cohesive group within the workplace?" someone asked. This is where industry could learn from Panorama—and from those companies which have already mounted a similar exercise: select a cross-section of the workforce, from all sectors and departments, take them away for a few days during the week (don't expect them to give up their free time), and let them expound on what they think of the way their company works (or not). Don't necessarily expect them to solve a particular issue or transform an unhappy ship overnight. But useful groundwork will have been done.

Christine Burton

IN ONE of the oddest diversification projects a car manufacturer has yet attempted, Volkswagen is adding beef to its Beetles in Brazil.

A Volkswagen do Brazil subsidiary has acquired a large area of Brazilian forest at Santana de Araguaia in the State of Para not far south of the Equator. About half the zone will be cleared to provide a range for around 110,000 head of cattle, the rest will be left as natural forest so as not to upset the ecological equilibrium too much.

As you might expect from VW when the project is ready, probably in 1985, breeding will be done in a methodical and extensive way. The cattle will be divided into groups "divided along the basis of function, age and sex." The breeding grounds will be divided into eight administrative areas and these, in turn, into 15 smaller pastures.

In fact, each of the eight areas will be a farm in its own right, with 3,400 head of cattle, a complete corral, a materials depot, pharmacy, houses for herdsmen, a shed, water tank and communications equipment.

The administrative headquarters for the project will include a hotel, school, hospital, doctors and dentists, air strip with hangar, garage sheds, workshops, a supermarket, a complete laboratory with a veterinary pharmacy and so on. VW do Brazil has also linked with 10 other cattle breeders in the area to set up a slaughterhouse and cold storage business (VW has a 20 per cent stake). This US\$50m establishment will be able to handle 150,000 head of cattle a year (600 a day) and, apart from its slaughtering capability, will have cold storage units, deboning, canning and tanning operations.

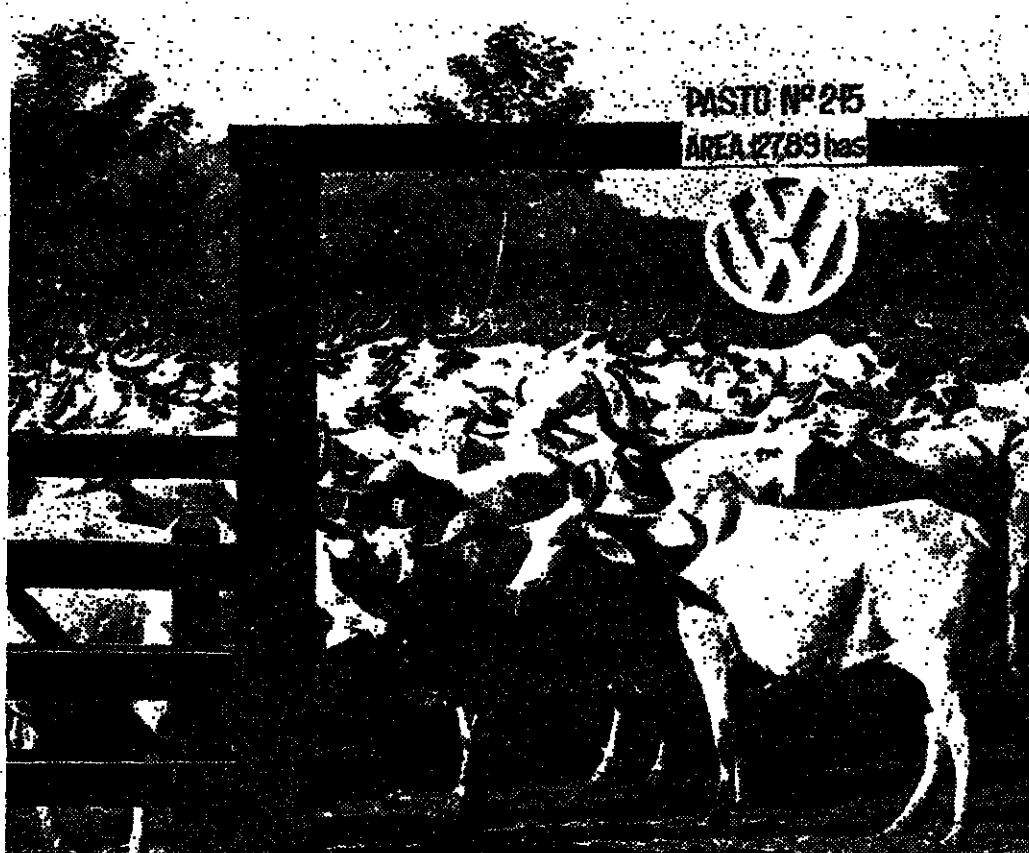
The cold storage facilities should be ready in the second half of 1981 while those for canning and tanning should come on stream by 1983. Some of the meat will be exported to Europe.

The cattle breeding project originated in 1973 when the Brazilian Government was attempting to persuade businessmen to help open up the Amazon basin. Tempted by the financial incentives, VW do Brazil set up the Companhia Vale do Rio Cristalino, a company in which it has a stake of around 80 per cent. So far more than US\$100m has been spent clearing extensive areas of pasture. The herd is already 23,500 strong. The infrastructure is developing nicely, too, with over 100 kilometres of roads and a mass of bridges and dams. Over 200 people have been taken on so far.

VW do Brazil had other good reasons for considering this

Kenneth Gooding reports on the car giant's activities in Brazil

## VW steers in new directions



Part of VW's 22,000 strong herd at the Companhia Vale do Rio Cristalino

strange diversification apart from the fiscal incentives. In some ways its problems were similar to those of its parent in West Germany.

It had a large share of the new car market in Brazil—though less than a decade ago—and the car manufacturing business was generating more money than it could fruitfully reinvest. And, although VW is allowed to repatriate to Germany an annual dividend of up to 12 per cent, the Brazilian government insists that anything more is penalised quite severely.

Not that there has not been hefty investment in the car business itself. In 1972, having decided it would be uneconomic to expand its complex at São Bernardo do Campo, near São Paulo, any further, VW do Brazil acquired a site 1,300 miles away.

By the end of 1971, the São Bernardo plant, known locally as "Volkswagen City," was employing over 27,000 people and making more than 1,250 cars a day. The physical problems of

getting people and vehicles in and out were already beginning to tell. Most of Brazil's automotive manufacturing activity takes place in the São Bernardo area, known as "The Detroit of Brazil."

So far around \$100m has been spent developing the second site, Taubaté. It is about three times as large as the one at São Bernardo but it differs in not being surrounded by a built-up area and other car and truck plants.

VW's Brazilian business is also responsible for developing its own new models. The first fruits of this effort were seen in 1973 with the introduction of the Brasília, a car with a modern, hatchback shape but which is launched in May this year.

Recently VW's Brazilian market share was badly dented by Fiat, which introduced a version of its 127 in 1975—called the 147 in Brazil. The Italian group had previously left the Brazilian market alone under the terms of a 1963 agreement between the two companies which

allocated Argentina to Fiat and Brazil to VW.

And the "General Motors" Chevette also had an impact. As a result, VW's share of the new car market has slipped steadily from a peak 67 per cent in 1968 to around 45 per cent.

However, turnover and profit have continued to advance, respectively reaching Cruzeiros 40.6bn (\$922m) and just under Crs. 4bn (\$91m) in 1978.

To combat the attractions of the Fiat 147 and the latest GM "world car"—known in Europe as the new Kadette, and expected to arrive in Brazilian form by late 1981—VW do Brazil has developed its own front-wheel drive model, code named the "BX," which will be launched in May this year.

The shape of the BX, by all accounts, follows that of the Golf pretty closely. But the surprising technical aspect is that it will be powered by the dated 1,300 cc air-cooled engine used in the Beetle, "modified and improved," according to VW do Brazil's marketing

people have decided that it would not be reasonable to expect their customers wholeheartedly to accept not only a new shape but also a new engine at the same time.

The BX, to be made at Taubaté, will undoubtedly take some sales away from the Brasília which at one time looked as if it might overtake the Beetle in popularity even though the Beetle at Crs10,000 (roughly \$2,500) is the cheapest new car available in Brazil.

VW is currently producing about 1,200 cars a day, about half Beetles, the rest Brasílias and Passats. Local content is about 99 per cent, with components and raw materials bought from around 4,000 suppliers.

VW do Brazil's is one of the country's major exporters, sending products to 50 countries. About 64,000 cars a year are exported either fully built up or as kits; the biggest market is Nigeria.

Like other major companies in the country, VW has committed itself to an export target under the Brazilian government's "BEPLEX" plan. In 1973, when the commitment was given, VW said it would export \$1bn of products in ten years. This was increased last April (for the same ten-year period) to \$1.5bn.

In return for this, the Brazilian Government permits VW to import essential plant and equipment without the heavy duty payments that it would otherwise attract.

Although there is some element of "export or else" in the Brazilian Government's approach, VW in Germany is making the best of this coercion and has been fitting VW do Brazil into its plans to become a "world car" manufacturer.

VW do Brazil exports engines and gearboxes for the Passat to Germany and the U.S. and Golf engines to Germany. It is therefore a vital link in the VW group's component supply chain around the world. Since September 1974, when production of "world class" major components began, the Brazilian company has shipped out around over half a million engines and even more gearboxes.

The most recent investment in Brazil by the VW parent group involved the acquisition of the Chrysler manufacturing business last March. No price has been mentioned officially

but a figure of \$50m has been widely quoted in Brazil. The deal was important for VW in that it provided a natural diversification route but one that is proving rather difficult to follow.

Throughout its worldwide empire, VW has so far made only light commercials, but has now joined forces at home with MAN of West Germany, manufacturers of heavy trucks, to produce medium-weight vehicles which will be marketed through jointly-owned businesses in Europe.

In Brazil a former Chrysler plant will be converted to produce the VW-MAN six to nine-tonners. These will incorporate as many suitable Dodge components as possible, including a Dodge V8 engine modified to run on pure ethanol. (Like all the Brazilian manufacturers, VW is involved in producing cars to be powered by ethanol under the provisions of the government's "pro alcohol" policy, though ethanol is still very low.)

Chrysler, producing about 2,500 Daimler trucks a year in Brazil (compared with a capacity of about twice that level) and 12,000 cars. Output of Chrysler cars will probably continue until demand falls below economic levels. Most of the models are big cars and do not compete with VW.

Rather more surprisingly, VW is thinking seriously about diversifying into the low-cost end of the vehicle business. It has been looking at the prospects for a joint development with Steyr-Daimler-Puch of Austria to make around 100,000 mopeds a year in Brazil, and perhaps even include capacity for pedal cycles.

Peugeot previously tried its luck with a plant in Brazil which had a sizeable capacity to make mopeds and cycles. But output never reached half of capacity and Peugeot gave up the project as a bad job. Whether VW goes ahead with the moped project depends a great deal on the kind of government incentives it might attract.

Meanwhile, the news about the Beetle is that it will remain in production in Brazil—where the last surviving examples are manufactured—for at least another five years. VW do Brazil has just completed its latest five-year plan and the Beetle has an important part to play throughout.

## Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## COMMUNICATIONS

## Fault-finding by telephone

ALTHOUGH REMOTE fault diagnosis has been employed by several computer makers, Digital Equipment Company is to implement a system which it claims is unique in that the diagnosis itself is conducted entirely by a computer which "inspects" the faulty unit at the other end of a phone line. A diagnosis centre has been set up at Basingstoke, Hants, for the UK and another is to be deployed at Valbonne in the south of France to cover continental Europe.

Some \$6m has been pumped into the project and in the U.S. about 1600 customers, mainly with PDP 11/70 VAX machines, have already been connected to centres. In Europe the company expects to connect new customers at the rate of 100 per month, the total rising to over 10,000 within the next five years.

There is to be no extra cost to users of 11/70 and VAX 11/70 machines supplied and maintained directly by the company. Facilities are built in to the latter and the former will be modified with a console containing appropriate circuits. Even the phone call—which can be anything from 15 to perhaps 120 minutes, will be free. Diagnosis is down to minor component and board level, enabling the service engineer to go to the site with the right spares and with a clear picture of what is wrong. The company believes that customers' down time will be reduced while its own service scheduling can be much more precise. Experience shows that 80 per cent of the faults can be dealt with over the phone, straight away and a 90 per cent success rate is scored with the remainder.

For the user, the task consists of no more than using a local charge Freephone number for connection to Basingstoke. After some routine identification and checking routines the diagnosis routine is worked through and everything is logged so that, 30 per cent on each customer's machine is built up, making any later diagnoses even more effective since the history can be referred to. A diagnostic specialist at the centre monitors the routine and when the fault becomes apparent he rings the customer's local service office and indi-

cates what will be needed on the visit.

To carry out the work DEC is employing two PDP 11/70s (100 per cent redundancy) with a pair of 11/04s for auto-dialling.

Customers with 11/70s will have the front panel replaced by a microprocessor-based console. It works straight into a Post Office Datel line using a Modem 2B. All future high-end and medium range processors introduced by the company will have these diagnostic systems built in. The company believes that the trend is inevitable, even if the cost of machines is increased as a result; with hardware costs dropping continuously in real terms, the cost of a machine is in any case not the key feature but system availability seven days a week is.

Servicing is also becoming more expensive in its conventional form since it is labour intensive, while at the same time fuel costs will have a serious impact on the use of vehicles.

Meanwhile, the cost of communications lines in real terms will tend to move downwards. As the public packet switching networks start coming into use, transmission speeds will rise from today's 300-1200 baud up to 9600 baud. Furthermore, the prospect will then arise of paying for line time only when needed—using packets. Faulty machines could be polled and attention paid to them only as necessary.

Among pioneer users (there are about 30 in the UK already) are The Chemical Bank, London, Rio Tinto Zinc, Bristol, and British Ropes in Doncaster.

UK general manager of DEC, Darryl Barbe, believes that these kinds of technique will soon be widespread in the data industry. Similar techniques are coming into use for remote fault finding in telephone exchanges and ultimately it seems likely that many kinds of industrial product, increasingly themselves controlled by micro, will be fault diagnosed in this way.

More from Digital House, King's Road, Reading, Berks (Reading RG6 5SS).

GEOFFREY CHARLISH

## ALUMINIUM

## Packaged extrusion plants

A VOYAGE to the U.S. by London-based aluminium specialist Ian Blackhurst has resulted in the introduction to the UK of a new cost-cutting method of extruding aluminium.

Traditionally, Britain has relied on a number of highly expensively-equipped large extrusion plants to produce items in extruded aluminium, and it is common for a company specialising in, say, the supply and fitting of double glazed windows to have the frames made and cut in such a plant.

Such a company would almost probably own sole copyright to the shapes from which its aluminium products are produced.

Mr. Blackhurst realised that this sub-contracted process was wasteful because big presses often squander energy on small jobs which, added to the cost of transport and multi-stage hand-

ling, dissipate much more fuel and manpower than is necessary.

He returned to this country, and formed Indirect Press Techniques which provides a complete aluminium extrusion service to companies wishing to produce their own extrusions—and so cut operating costs.

Using the I.P.T. process, offered as a leased package, every small item in aluminium should now be much cheaper to produce.

It is viable for companies using upwards of 700 tons a year (whose savings are promised to be between £180,000 and £300,000 a year) and includes the supply of all machinery, complete installations and comprehensive training of staff (one machine will usually require a four hour force of nine) help with buying of aluminium billets, continuous mechanical main-

tenance, and full advice and aid to companies wishing to jointly share an IPT extrusion process.

The need to conserve energy means a widening use for aluminium products, says the company, and these could now get cheaper when this new-to-the-UK process is adopted by the makers of window frames, doors, garden furniture, ladders, sports equipment, vehicle trims, etc.

With the installation of an Impress Extruder in their own factories companies are promised dramatic cutting of purchasing costs (aluminium extrusions are currently purchased through an extruding company), increasing working efficiency, and the continuance of production unaffected by outside influences.

IPT, 174 Honeyvot Lane, Stanmore, London HA7 1EQ (01-204 7343). DEBORAH PICKERING

## HANDLING

## Prevents silo blockages

PROMISING to prevent a blockage of powdered or pulverised materials in storage silos is an airgun unit now available in the UK from Accrapack Systems, Taylor Industrial Estate, Risley, Warrington.

An effective solution to the problem of arching or "rat-holing" of material often occurring near the silo outlet is said to be provided by the Silva air gun which can be mounted on the cone of the silo interior to ensure a steady flow of material at the discharge point.

The amount of air required for operation is only 7 litres a minute at seven atmospheres, but this is sufficient to prevent time-wasting silo blockages, assures the company.

Unit is controlled by a four-

way solenoid valve which receives a signal from an electric timer. A single control unit can be used to control several air guns mounted on a silo, and the number of these air guns required for a particular installation will depend on the shape of the silo and the type of material being handled.

## COMPONENTS

## Cheap way to control a motor

MULLARD engineers have developed what is said to be the first really cost-competitive design for a system of ac motor speed control using pulse-width modulation. For most purposes, especially at power levels up to 50hp, pulse-width modulation has not so far been an economic proposition. However, engineers at the Mullard Application Laboratory have built a PWM synthesised sine-wave system which exploits a purpose-designed micro-controller and other advanced components, now in production at Mullard.

The Mullard solution provides sinusoidal motor currents and full torque from crawl to top speed. It uses standard induction motors and its cost is low.

Mullard, Torrington Place, London WC1E 7ED. 01-580 6883.

## COMPUTING

## Aids estate agency work

INSTALLED by Birmingham estate agents, Shipway, Doble and Earle, a new system will handle regulations introduced by the Royal Institution of Chartered Surveyors.

Named PROMIS (an acronym for Property Management Information System), it is being marketed by Geest Mini-computer Systems to estate agents in Britain.

It provides Shipway, Doble and Earle with on-line computer facilities which exactly match needs. In Shipway's case the system runs on its own computer, but it can equally well operate through a computer bureau.

Based on a master file and a tenancy file, the service takes account of the estate agent's clients, properties and tenancies, and loan, investment or surety information.

The tenancy file contains information to trigger the raising of demands for the payment of rent, ground rent, rates, insurance, etc.

The information which can be provided from these two files cuts out a large amount of the routine paperwork which bedevils estate agents. Moreover, because the computer works in "real-time" files can be kept up to the minute.

The system also produces a wide range of management reports essential for the profitable management of a modern estate agency.

Geest Computer Services, White House Chambers, Spalding, Lincolnshire PE11 2AL. 0775 61111.

## ELECTRONICS

## Power conversion circuits

CONTAINED within a standard 24 pin dual in line package from Gresham Lion are complete dc to dc power conversion circuits.

Available with five or 12 volt inputs, the devices can be supplied with five possible output voltages including five, 12, 15, 12 and 15 volts.

Called Gemini 600, these one watt units will fit standard integrated circuit sockets and printed board dither patterns and can be assembled economically and quickly. They

are suitable for automatic insertion techniques and can be flow soldered after insertion.

High reliability is claimed for the units—a minimum mean time between failures of 100,000 hours—and the operating temperature range is —25 to 70 deg C. Load regulation is only 150mV from zero to full load, while output ripple is a maximum of 30mV peak to peak.

More from the company at

## Industrial Marketing Digest

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Tel: Dorking (0306) 883566

Twickenham Road, Feltham, Middlesex, TW13 6HA (01-894 5511).

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BY MICHAEL DIXON

For the full text of the advertisements please see the Financial Times of that date or telephone Sally Stanley on 01-248 5597.



## GENERAL APPOINTMENTS

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35 New Broad Street, London EC2M 1NH  
Tel: 01-588 3588 or 01-588 3576  
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Our Client, one of the world's leading Money Market Brokers, have an opening for an experienced Manager, male/female, aged 30-40, who has the personality to deal with people at all levels. Wide ranging responsibilities include maintenance, security, supervision of contractors, departmental budget, etc., and the supervision of 16 staff. The successful candidate will also be required to deputise for the Communications Officer in his absence and basic telecommunications experience would therefore be useful. Initial remuneration, by way of high basic salary + bonus, negotiable £8,000-£10,000, plus excellent benefits package. Applications with c.v. in strict confidence, under reference OM1973/FT, will be forwarded unopened to our Client, unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager.

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Our client is a market leader in the mini/micro computer business. The continued expansion of their organisation has created a key new position for a dynamic young accountant to work on budget planning and monitoring, divisional consolidation, and management reporting for the European Operation of a California based corporation. Candidates may be either qualified accountants or numerate graduates who can

demonstrate a capability in the above areas. Salary and conditions are excellent, as are career prospects in this dynamic and expanding organisation. An element of European travel will be involved. Please send your c.v. to, or request an application form from, Ron Burgess quoting reference number RB/FT/2701.

Personnel Consultants,  
14 New Burlington Street,  
London W1X 1FF.  
Tel: 01-734 6134.

**Corporate Financial Services Development Manager**

This opportunity arises in a progressive director controlled group providing a comprehensive treasury service to some 400 UK corporate clients.

It will appeal to an enthusiastic person up to 40 years of age with industrial plus financial experience who enjoys meeting people at top level. The appointment is London based with about half of

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Please apply, with brief curriculum vitae to: Managing Director, Manchester Exchange Trust Ltd., Shelley House, Noble Street, LONDON EC2V 7JQ.

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Our clients, International Lloyd's Brokers, have a vacancy in their Bermuda Offices for an Accountant qualified to ACA standard. The person appointed will have substantial experience in insurance or a related field and will report to the Senior Accountant. U.S.A. travel envisaged.

Initially, please reply in strictest confidence to:  
Nicholas P. Moore, Associate Director, or Christopher D. Stock, J.P.S. Group, Tel: 01 481 8111, quoting ref. 43892.

**Corporate Planning**

The newly appointed Director of Corporate Planning, for a complex international metal trading group with manufacturing interests, requires an assistant to facilitate the introduction and development of strategic planning techniques.

Candidates, male or female, should have spent three or four years in commerce or industry after acquiring a technical degree and before obtaining an MBA.

The appointment will be City based and will carry an attractive salary and conditions of employment. Relocation assistance will be provided where necessary.

Applications giving details of career to date and present salary should be sent to the Group Personnel Manager, Amalgamated Metal Corporation Ltd., Adelaide House, London Bridge, London EC4R 9DT.



**Amalgamated Metal Corporation**

**INVESTMENT MANAGEMENT**

Due to continued expansion of business, a vacancy has arisen for an experienced Investment Analyst in the Investment Department of the Standard Life Assurance Company in Edinburgh. There are prospects of rapid promotion to a portfolio management post.

The company is the largest mutual life assurance company in the European community with funds in excess of £2,000m. In addition the Investment Department manages Pension Funds and unit linked pension and life assurance funds.

It is likely that the successful candidate will have had a minimum of five years' relevant investment experience in an insurance company, merchant bank, investment trust, stockbroking firm or similar institution.

Commencing salary will be based on qualifications and experience. The Company operates generous employee benefit schemes, including Non-Contributory Pension and Life Assurance Scheme, Staff House Purchase Scheme, Dining Facilities, etc.

Please write or telephone for an application form to:-

The Staff Manager



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3 George Street, EDINBURGH EH2 2XZ. Tel. No. 031-225 7771

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1. Title of post: Manager, planning and financial controls.
2. Qualifications required: qualified accountant or MBA.
3. Experience required: minimum of five years' experience in similar positions in reputable organisations.
4. Salary: in accordance with qualifications and experience.
5. Other conditions: proven ability to work under pressure and demonstration of initiative and creativity. Priority will be given to Arab nationals.

Handwritten applications, together with copies of certificates and credentials must be submitted to:



The Administration Manager,  
Abu Dhabi National Oil Company  
for Distribution,  
P.O. Box 4188,  
Abu Dhabi,  
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**Charles Barker Confidential Reply Service****International Management Systems Consultant**

An experienced executive with the ability to diagnose all aspects of company operating and control systems is sought. The executive will join a head office management team, reporting to the Managing Director in charge of the overseas activities of a successful U.K. Group, active in the industrial and construction plant industry in Europe, North America, Africa and Australia.

The job will entail thorough study of the management organisation and systems in each subsidiary, covering the accounting, sales and production functions. With this background, the auditor will be expected to recommend and assist in the implementation of changes in procedures, to harmonise practice throughout the Group and equipment and procedures to improve efficiency.

The ability to perform these tasks must be coupled with a facility to summarise and explain complex subjects, both verbally and in writing, concisely and effectively. The position calls for a willingness to travel and to spend a major part of the year overseas on assignments lasting from 3 to 8 weeks. The applicants should have an accounting or computer systems background combined with managerial or administrative experience in a complex engineering industry environment. A management consultant with such a background would also be suitable. Ability to speak French or Spanish is an advantage.

Salary is commensurate with the responsibilities of the job; benefits include a car and the opportunity to join the Group's transferable contributory pension scheme.

Ref. 1610

**LEGAL APPOINTMENTS**

**Assistant Solicitor**  
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**London c. £10,000**

Our clients, a medium-sized successful firm of solicitors in the Holborn area wish to recruit a young solicitor who will work partly on his/her own initiative and partly under guidance of a Partner.

The successful applicant will probably be aged 25-35, with a career so far in a medium to large practice and with 3-5 years' experience since admission. The future prospects within the firm are excellent.

Please contact Chris Kuhn,

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Telephone: 01-353 1307/1308

**Dennis Chatfield & Associates****COMPANY NOTICES**

**BRISA-AUTO-ESTRADAS DE PORTUGAL S.A.R.L.**

EUA 16,000,000 54% 1974/1988

Bondholders are hereby informed that the amortisation of the bonds of the company, which are hereby notified, is as follows:

Following the draw which took place on January 7, 1980, in the presence of Messrs. Jeanne Huet, Huissier de justice at Luxembourg, the one thousand five hundred bonds of 1,000,000 each, bearing numbers 1 to 1,500, inclusive, will be redeemable at par, coupon at 5.5%, on February 21, 1980, date at which they will come to bear interest.

The following bonds will carry out the redemption of the said bonds and the payment of interest due on February 21, 1980:

1. 1,000 bonds of 1,000,000 each, bearing numbers 1 to 1,000, inclusive.

2. 500 bonds of 1,000,000 each, bearing numbers 1,001 to 1,500, inclusive.

The following bonds will carry out the redemption of the said bonds and the payment of interest due on February 21, 1980:

1. 1,000 bonds of 1,000,000 each, bearing numbers 1 to 1,000, inclusive.

2. 500 bonds of 1,000,000 each, bearing numbers 1,001 to 1,500, inclusive.

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2. 500 bonds of 1,000,000 each, bearing numbers 1,001 to 1,500, inclusive.

## APPOINTMENTS

**Senior posts at Royal Bank of Scotland**

THE ROYAL BANK OF SCOTLAND has made the following appointments from March 1: Mr. John S. G. Kirkland, at present general manager (Northern Region), is to be senior general manager with responsibility for domestic banking. Mr. James H. Shaw, at present general manager (Glasgow), becomes senior general manager with responsibility for corporate finance, international business and development and marketing. Mr. Charles M. Winter, at present general manager (Southern Region), is made senior general manager with responsibility for staff, property and administration.

Mr. John Wilcox, North West Europe area director for the International Wool Secretariat, has been appointed chairman of the RETAIL TRADING STANDARDS ASSOCIATION in succession to Mr. Garvin Fisher.

Mr. D. Collier and Mr. J. G. Dodds have been appointed directors of F. W. WOOLWORTHY AND CO. Both are long-serving executives with wide experience.

Mr. F. C. Baker has been elected chairman of the COUNCIL OF IRONFOUNDRY ASSOCIATIONS in succession to Mr. D. J. Atkin. He is managing director of Castings, Bedford.

Teeman, managing director of The Clay Cross Company and chairman, East Midlands region of the CBI, has been elected deputy chairman.

The management of the City office of BARCLAYS BANK has been restructured by the appointment of two senior corporate managers, Mr. E. F. Page and Mr. J. A. Pearce, who will take the place of Mr. A. Waterhouse, a branch director who retires on February 29. Mr. W. A. Lower remains a branch director and will assume sole overall control of the branch.

Mr. P. R. Fyson has been appointed a non-executive director of GOMME HOLDINGS. He is a director of CompAir.

Mr. John A. Harper is to join the main Board of STAVELEY INDUSTRIES as an executive director. He is an executive director of Lincolntics, and has previously held senior appointments in other companies, including Smiths Industries and Plessey.

Mr. H. Houghton has been elected chairman of STENHOUSE HOLDINGS to succeed Mr. John G. Stenhouse who will retire on February 14. Mr. Stenhouse will remain a director. Mr. Paul H. A. Stenhouse, a son of the late Mr. Hugh C. Stenhouse, chairman of the company from 1957 to 1971, has been appointed a director.

Mr. Rene Gold has been appointed to the Board of FOSTER TURNER AND BENSON.

Mr. G. H. J. Robinson has been appointed chairman of SPRING GROVE SERVICES in succession to Mr. G. C. Rowett, who remains on the Board as a non-executive director. Mr. Robinson is chairman of Denbyware, a director of the Sangers Group, a director of Minister Asquith, and a regional director of National Westminster Bank.

Mr. R. G. Ratty has been appointed an assistant director of WINCHESTER BOWRING.

THE MANPOWER SERVICES COMMISSION has appointed Miss Vivien Stern, director of the National Association for the Care and Resettlement of Offenders, to represent the interests of voluntary organisations on the MANPOWER SERVICES PROGRAMMES BOARD. She replaces Miss Valerie Coleman of Task Force who has resigned.

Mr. Neville Price has been made managing director of GRADUATE APPOINTMENTS.

**LA REDOUTE**

In his year-end letter to shareholders, Mr. Henri Pollet, Chairman, takes stock of the company's situation at the end of the first half of 1979/1980 (March 1-August 31) and of the Group's operations to November 30, 1979.

**LA REDOUTE S.A.**

In the first six months of the fiscal year, turnover, including taxes, reached Fr.1,561 million, up 15.6% from Fr.1,350 million. The net profit rose from Fr. 145 million to 153 million after a 1.8 million forecast for depreciation in value of the VENCA shares and a Fr.1.5 million provision for losses and charges due to the ceasing of activities of SARTHA.

In the first nine months, turnover, including taxes, rose to Fr.2,677 million against Fr.2,300 (November 30, 1978), showing an increase of 16.4%. For the total of the fiscal year the rate of improvement should be up to about 15%.

**SUBSIDIARY AND AFFILIATES**

As at November 30, 1979:

—Only SOCIÉTÉ NOUVELLE D'EXPANSION REDOUTE with a turnover, including taxes, of Fr.161.0 million, is below forecast (+7.1%).

—EDITIONS ROUBALDI's turnover, including taxes, reached Fr.84.4 million, an increase of 21%.

—FINAREF, recently taken over 100%, collected Fr.45.5 million in premiums, i.e. an increase of 9.8%. Returns were diminished by the terms of the recent decree covering financial establishments.

—PREMAMAN shows an increase of 20.2% of its activity, reaching Fr. 166.3 million.

As of January 1, 1980, the company has acquired Fr.8 million, 80% of SODIRREG's capital, a company which owns and operates the PRENATAL and MATERNA network.

As of January 1, 1980, PREMAMAN will form a group comprising 215 subsidiaries and close to 250 affiliates.

Abroad, VESTRO's progress is confirmed, business having gone up by 31.7%. If this improvement continues, the company should slightly reduce its deficit.

In Spain, in accordance with the Board's decisions, all shares held in VENCA have been ceded.

**REDOUTE GROUP**

Consolidated turnover as at November 30, reached Fr.3,344 million, an increase of 15.3%, against an increase of 14.8% at the end of the first six months 1979/80. While the consolidated net profit is expected to show an increase compared with the previous year, it is difficult at this point to determine its volume because of economic uncertainties.

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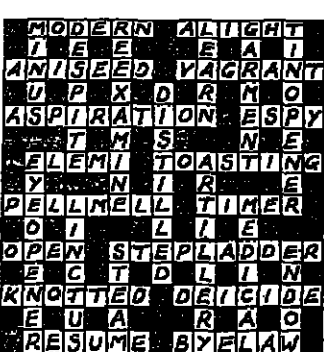
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Stewart's Request Show (c). 4.03  
Much More Music (S). 5.00 News  
5.56 Wagonwheels (S). 5.59 Much  
More Music (S). 6.00 6.30 John  
Dunn (S). 6.10-6.30. 6.30  
(UHF only). 6.32 Wiv a little bit o'uck (S). 6.02 Glamorous Nights (c).  
9.55 Sports Desk. 10.02 Variety Club.  
11.02 Brian Matthews with Round Music  
night, including 12.00 News. 2.02-  
(a). You and the Night and the Music  
(a). 1.00  
In Today. 6.25 Shipping forecast.  
6.30 Today, including 5.45 Prayer for  
the Day. 7.00, 8.30 Today's News, 7.30,  
8.30 News Headlines, 7.48 Thought for  
the Day, 8.35 Testimony in Parliament.  
9.00-9.15. 9.15-9.30. 9.30-9.45  
News. 10.05 In Britain Now. 10.30  
Daily Service. 10.45 The Wooden  
Horse. 11.00 News. 11.05 Thirty-Minute  
Theatre. 11.35 Local Edition. 12.00  
News. 12.02 pm You and Yours. 12.20  
News.

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## THE ARTS

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## Festival Hall

## Haitink

by MAX LOPPERT

The conductor of the Sunday evening London Philharmonic concert was, for a period of 12 years only recently completed, the orchestra's musical director, consolidating during that time a position as one of the most justly admired musicians before the public. The conductor of Sunday's Mozart and Beethoven symphonies and of the Poulenc Gloria was the same Bernard Haitink, and an unfamiliar one; the old breadth and depth of musical concern, the old muscular orchestral control seemed to be combined with a quite new freedom, even flamboyance, of platform manner.

More important, though the matters are closely linked, one sensed in the music-making a new release, a character of outward exuberance, matching inward strength. Because in playing of uninhibited brilliance there was not the least suspicion of vulgar show, this *Bagner* Symphony made for once a properly ceremonial effect. So often the attention is perhaps unwittingly drawn to the quantity of the 18th century small-talk in the material; here, one witnessed with delight an astonishingly grand structure being built out of it.

The approach to Poulenc's late choral work was through Stravinsky, and, in the cut and thrust of the rhythms, the sharp

clarification of colours, it proved itself as both honest and pointed. (For the absence of the necessary reverberance in the acoustics, which in any case probably the only method of compensation.) Treated with an excess of overt affection, Poulenc's devotional music can go soft; this was a performance to justify respect and admiration as well as affection. The London Philharmonic Choir has not—how could it have?—French forwardness of tone, particularly in the tenor section, needed to complement acute instrumental timbres. With Felicity Lott (a late replacement, but a superb one, for two previously announced sopranos) lifting a silver solo line aloft, the vocal side of the performance was quite as radiant as the instrumental.

In Beethoven's Seventh Symphony after the interval, the weight fell most fully on the Finale; on that and the whole performance was bent, in a manner to explain what is understood by truly symphonic conducting. Haitink's Beethoven performances have always contained that kernel of knowledge. The difference, on this occasion, was the sheer elation of the sound—trumpets and horns in searing but never strident full cry, the heat of high summer on the strings, an unforgettable yet purely musical (and musicianly) frenzy to the final pages.

## Wigmore Hall

## Eugenia Krasnoselsky

by DOMINIC GILL

An unusually large crowd for a Sunday afternoon turned out to hear the Wigmore debut of the Russian pianist and Neuhaus pupil Eugenia Krasnoselsky—drawn perhaps by an impressive (though undated) list of testimonials and reviews quoted in her brochure, including one from another distinguished past teacher, Michelangelo.

This was not strictly speaking, however, Miss Krasnoselsky's debut at the Wigmore. She has played there before, under another name, as Yevgenia Keren, and by all accounts she could be worse advised than to change it again before she plays there next. The best part of her programme that I heard was the Bach Prelude and Fugue (in G sharp minor) which began it, a tolerably thoughtful and reticent performance, decidedly conceived for the Romantic piano-forte rather than for any relative of the harpsichord, and sprinkled liberally with fades of *mezzo*, but with a certain fragile warmth whole and consistent to itself.

The rest was very much less successful. It was not so much the slips of memory, or the quantity of untidy splashes in the playing, which fundamentally marred her account of Beethoven's op. 2 no. 2—any pianist could have made them and brought the work off in spite of it. Nor was it her unnerving tendency to play 32nd notes (demisemiquavers) as if they were 64ths, or the very strange things that went on in the staccato bass line of the Largo. Much more important was the lack of any sense of line, or direction, or centre in

the performance, and a notable absence of any evidence of close focus or careful thought behind it, and just as important to realise at some future date that there is much more to expressive rubato than just dragging the tempo of the music almost to a halt every now and then.

Miss Krasnoselsky apparently has very small hands; for in the first three of Debussy's *Images* she arpeggiated any and every chord above an octave wide, as well as many that are not—extraordinary liberty, and an overpowering vulgar and un-Debussy effect. All three performances, in any case, were in other respects exceedingly approximate, shot through (and all but shot to pieces) with wrong dynamics and pedallings, wrong phrasings and wrong notes.

She devoted her second half to Chopin and Liszt. I stayed for her "West Wind" Etude—whose effect would have been clearer, if she had let up the sustaining pedal once or twice more, during the course of the piece; and for the first movement of Chopin's B flat minor sonata, delivered with all the intensity of, and about the same impact as, in a *Monastery Garden*. Whatever she does in the future, under whatever name, Miss Krasnoselsky should at least summon all her self-critical respect and remember that, although no mortal name is sacred, the names of Neuhaus and Michelangelo are not yet common enough to be taken in vain.

## Dr. Roy Strong wins Shakespeare Prize for 1980

Dr. Roy Strong, the Director of the Victoria and Albert Museum and distinguished art historian, has been awarded the Shakespeare Prize for 1980. The award, one of the most valuable of international cultural prizes, was announced by the Anglo-German jury of the FVS Foundation of Hamburg.

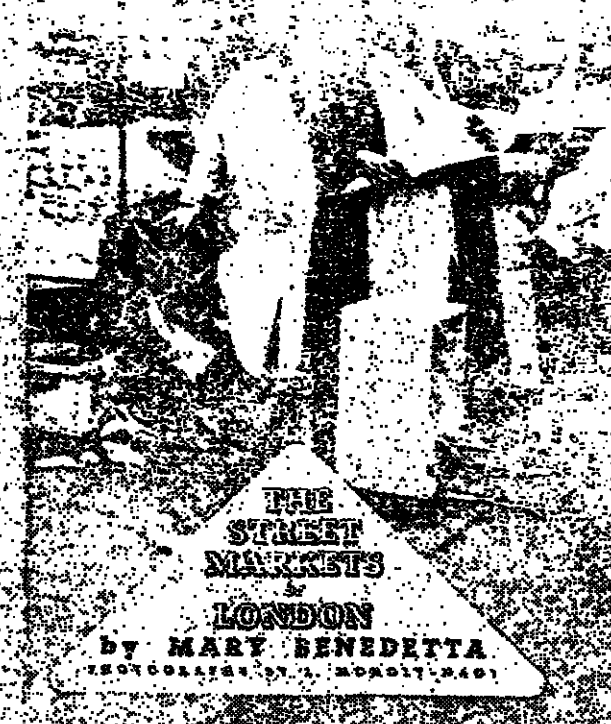
The prize is awarded annually by the Foundation to a United Kingdom citizen for

outstanding achievement in the Arts, particularly in relation to the U.K. contribution to the European cultural heritage.

In addition to the honour of the prize, here is a cash award of DM 25,000 (approximately £6,400) and a scholarship of DM 7,200 (approximately £1,850) for one year's study at a university in the German Federal Republic. The prize-winner has the right to select



THE STREET MARKETS OF LONDON  
BY MARY BENEDETTA



Moholy-Nagy's design and photographs for a book dust-jacket

ICA

## Moholy-Nagy: All-Rounder

Just as it is always worth remembering that the great artist is not necessarily the great innovator or trail-blazer, so we must accept that what might often prove to be the most valuable contribution made by the committed avant-garde is not a work of art exactly, but rather an influence and example, a peculiar vision and a way of response. The history of the Modern Movement is in large part the history of true but minor artists of real importance and some achievement; and of those active in the period between the wars, the Hungarian artist, László Moholy-Nagy stands out as one of the most consistently inventive, stimulating and engaging.

And though it is hard to point to any single item in his extensive and extremely various oeuvre as an undoubted masterpiece, or to identify particular qualities of painterliness or draughtsmanship, or some such graphic facility, his work remains nevertheless as likely and potent as ever it was, most especially so when seen as a whole. The demonstration is clearly and concisely made in the I.C.A. in the small retrospective exhibition that the Arts Council has put together (until February 10, and then on to Leicester, Edinburgh and Newcastle).

The particular preservative or elixir would seem to be a compound made up in equal parts of Moholy-Nagy's two obvious, somewhat generalised virtues, amounting in fact to two sides of his creative personality: the one cerebral, the other practical. Both of them reflect preoccupations current still. His conspicuously intelligent engagement with questions of what Art is, and might be, is clear throughout. We see it in his early concern with constructivist abstractions, his association first with De Stijl and then with the Bauhaus, his contact with Dada, and his sympathetic curiosity across the whole spectrum of modernism; and politically he was excited by the apparent opportunities brought by the Revolution, which seemed then to offer the artist a central role in that brave new world.

And there is, on the other hand, his practical gift. Once he begins to put things together, to manipulate and re-arrange material, his work comes alive. Put a tool in his hand, and he would be sure to do something imaginative and creative, a natural experimenter unrestricted by the conventional disciplines of the Arts.

Indeed he revealed himself as a designer of genius, intermediate, inter-disciplinary man:

and as the commissions rolled in, the more he found himself working for someone else, the more true to himself he seemed to become. And what is remarkable now in all his commissioned work is not how good, how fresh and original, but how unpretentious and self-effacing it is. A map of the world modified for the benefit of Imperial Airways, for example, although admirably effective superficially, is in fact something rather more than that, a deceptively witty and thoughtful piece of work that any latterday conceptualist would be proud to show. And the same can be said of his posters for London Transport that explain the mysteries of the escalator and the sliding door, of his window displays for Simpson's, and his work as an exhibition designer generally. His graphic design set its mark on the general style for a generation, setting standards of economy, wit and elegance, that were all too rarely matched, and as rarely acknowledged. The Parker 51 pen, which he designed in 1941, is somehow a fitting and characteristically anonymous memorial to him, and to his life's work.

He was also a great photographer, almost inevitably it seems, and incidentally. He

settled in England in the middle thirties, leaving Germany at the time of Hitler's rise to power, and in those few years provided the photographic illustrations to a number of books, dealing in particular with places and circumstances rich in social atmosphere and association. The *Streetmarkets of London*, by Mary Benedetta, an Oxford University Chest, by John Betjeman, and Eton Portrait, by Bernard Ferguson, are notable examples, each one confirming his singular and unprejudiced vision, besides opening out the genre for other, perhaps lesser photographers to exploit.

Moholy-Nagy died in 1946, aged only 51, and who knows what he might have gone on to achieve. He stood for the community of the arts, for the vital connections that should always be made between artist, designer, architect, craftsman and technician. He had vision enough, and perhaps the capability to affect the physical look of our urban, commercial, technological culture. He might even have lived on until now, and be one of the great men of our time; but all we have to remember him by are the promises a few small things and scraps of paper. We should honour him for those, and learn from them.

WILLIAM PACKER

## Pizza Express, Dean Street, W.1

## Jay McShann/Al Cohn

Kansas City blues pianist and singer Jay McShann and Brooklyn-born tenor-saxophonist Al Cohn are providing most of the jazz throughout January at Pizza Express, though not together. In between gigs in Dean Street both are playing around England and Scotland. Last weekend, however, they were at home base on successive nights, which presented a convenient opportunity to savour within 24 hours two totally different artists, both among the very best in their particular sphere.

Jay McShann's place in jazz history is guaranteed because it was in his band in the 1939-42 period that alto-saxist Charlie Parker first came to prominence.

That aside, McShann is a redoubtable blues and boogie-woogie pianist. On Friday it took him some time to collar the attention of the clientele and for most of the first set it was music to eat pizzas by. Then some irresistible vocals grabbed the ears and from then on his

rolling, humour-filled piano playing and understated singing—his voice is not deep or powerful but it coaxes the blues—was a snowballing hit.

When he got hold of a bluesy number such as "Taint nobody's business if I do" he got stuck in with huge, gleeful relish. Sometimes, especially in standards, he fell into a stereotyped groove with an almost mandatory bass solo from Lennie Bush (albeit always highly listenable) following his own opening choruses. But this was a small irritation. Apart from Britisher Bush, fellow Kansas City musician, Paul Gunther supported McShann on drums in the most tasteful, unobtrusive way.

Next evening the jazz was of a different colour, the sustained quality of which was signalled right from the start when Al Cohn's backing trio warmed up with a weaving, probing examination of the usually trite "My Secret Love." Maybe inspired by this Cohn himself

launched into a no-nonsense workout on "Zoot Suit" where his light, melodic style, redolent of Lester Young, breezed along effortlessly, so smoothly, so coolly. Then came an impact-making waltz version of the usually sad-tempered "Mood Indigo," which was far from a gimmick interpretation. From then to the end of the final set everything got better and better. It was one of those rare, magical evenings when four musicians, none regular associates, inexplicably inspired each other to lofty heights: a session in which the jazz jig saw fitted together: no loose ends, no straggly playing, no upstaging. Just four fine jazz men happily hitting top form at the same time.

At one point it did seem that Cohn was going to emulate Jay McShann and not vary the solo sequence of the tunes but as the sets developed he added variety with such devices as stop-time choruses and organising unison passages just with pianist, bas-

sist or drummer. Cohn's own playing, a delight of fluency and logicality though peppered with sinuous twists, was, as earlier indicated, strongly supported by his rhythm section. Not for the first time at Pizza Express pianist Roger Kellaway combed unwavering attention. His highly individual picking of the chords at once suggests he is trying to evolve a new piano style. Then he breaks loose to show he has a lot of mean ragtime in his soul.

Bassist Peter Ind, always energetic and deeply involved, contributed solos of rounded structure and tonal beauty, though handicapped in the first set by poor amplification. Drummer Kenny Clare's accents and nuances, his goading and constant enthusiasm, were the final seal of excellence on this memorable evening of jazz making.

Both Jay McShann and Al Cohn return to Pizza Express for several dates before January 31. Ring 487 9595 for details. KEVIN HENRIQUES

## Tower, Canonbury, N.1

## The King's Clown

American writer David Vando courageously seeks to combine his abilities with those of Molière to depict the frustrations and tenacity of the man who diverted and satirised the Court of Louis XIV. Scenes from *Tartuffe*, *The Miser*, *The Bourgeois Gentleman* and *The Imaginary Invalid* are interlarded with Mr. Vando's narrative of the tragic-comic and farcical aspects of Molière's life.

It is a neat contrivance—and some of it seems very contrived. When, after the playwright's death, his collaborator La Grange (David Kitchenham) has the idea that the company will describe Molière's life, there is a triteness that would beg a cue for a song in a second-rate musical. At the conclusion

Molière lies delicious and is visited by figures from his past, spot lit behind a gauze. How many times are we to be haunted by this device? The play, receiving its British première, is tidily constructed, albeit self-consciously so, and usefully charts Molière's pervasive sickness and his determination, at any cost, to keep

his company going—a point not lost on the enthusiastic Tavistock Repertory members who grew in confidence to become very much a company by the end of the evening.

Mr. Vando does justify a humour and pace into his episodes that is not out of keeping with the Molière extracts. The seams do not show and this is no mean feat. The second half, prone to moralising, is less telling and Mr. Vando and director Robert Pennant Jones should get far more impact into the denouement of the sub-plot concerning the identity of Armande Molière's estranged wife, nicely judged by Valerie Whitehouse.

The Tavistock company is well able to meet the challenges of plays-within-a-play, relishing the Molière aided by Mr. Pennant Jones's lively and detailed direction. David Kitchenham's *Tartuffe* was a splendidly-animating caricature and David Crawley, sympathetic as Molière, was a genuinely funny miser. Jill Batby, perhaps a too-youthful Madeleine, also impressed.

ICA

## Cage

"MusICA," the series of contemporary music concerts devised by Adrian Jack, continued its second season at the ICA on Sunday evening with a programme devoted to John Cage. The thrust of these concerts has always been towards the "experimental" school, and such a tribute to its natural progenitor was inevitable and timely. Lip service is paid to Cage's music too often in this country. Only by regular performances by ensembles experienced in realising the indeterminate scores will we be able to evaluate and assess the intrinsic quality of his music—its significance for the recent avant-garde is unquestionable. The depth of Cage's neglect was emphasised by the inclusion of *Sixteen Dances* of 1951 in the ICA evening; this was its first performance in London.

Scrupulously performed as it was by Music Projects/London, directed by Richard Bernas, it proved one of the more fascinating of Cage's middle-period works. Contemporary with *Music of Changes* and following the String Quartet, *Sixteen Dances* is fully notated and scored, derived from the rhythms of a set of dances choreographed by Merce Cunningham. Fragments of melody and harmony are superimposed and refracted using procedures with "magic squares": the result is given to an ensemble of piano, violin, cello, flute,

trumpet, and four percussion. It lasts nearly an hour and could be 20 minutes shorter, but there is something fascinating in its obsessive play of textures and motives. Piano ostinatos are punctuated and broken up by jagged chords, the elements are reformed and redistributed; motives pass between the instruments moving in and out of phase.

Cage would doubtless now regard the result as merely the product of pre-determined mechanical process, but he can not disclaim all responsibility for the moments of genuine beauty and interest. In *Atlas Eclipticis* of 1956-57, however, the result is much more variable and the focus more firmly directed towards the sounds themselves. Pitches were obtained by projections from maps of the stars and distributed among the parts (a maximum of 86) by recourse to the *I Ching*. Music Projects performed *Atlas* together with the later *Winter Music* for piano, as the composer suggests.

It's difficult for conventionally trained musicians to obtain the completely free association of pitches that Cage requires in *Atlas*: a percussionist cannot resist ending a sequence of drum strokes with a reverberating cymbal, a wind player inevitably gives some shape and direction to his cluster of notes.

ANDREW CLEMENTS

## Elizabeth Hall

## Mainly Beethoven

"Mainly Beethoven" again, yes, but with the delectable addition of three of Haydn's English "canzonets," sung by Sheila Armstrong as winningly as the ones she offered last summer at the Wigmore Hall. Again her tone was silvery, fresh and vivacious, the rhythms taut and springing, with a hint of a chuckle somewhere in the voice. In Martin Isopp's hands the accompaniments were correctly bright and forward, each a pleasure in itself. More, please! Haydn composed a dozen of these; Miss Armstrong really ought to record the lot.

For five of Beethoven's Celtic folksong arrangements, the accompaniments were taken over by the Parikian-Fleming Roberts Trio, and Miss Armstrong was joined by John Shirley-Quirk. Beethoven took some trouble over the work, and the Trio rollicked in their music; the singers were unanimous in feeling, though it must be said that their voices did not make a natural blend—in duet with Miss Armstrong's open sound, Shirley-Quirk's bass

baritone seemed constricted. Earlier, in the cycle *An die ferne Geliebte*, his sensitive intentions had been somewhat compromised by similar suggestions of heaviness and effort. If the words of the songs are occasionally lachrymose, Beethoven's settings have a joyous gleam that was chiefly to be heard in Isopp's crisp playing.

DAVID MURRAY

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## FINANCIAL TIMES

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Tuesday January 22 1980

## Egypt, Israel and the West

AT THEIR recent summit meeting in Aswan, President Anwar Sadat of Egypt and Mr. Menachem Begin, the Israeli Prime Minister, spent most of their time discussing the least controversial question on their agenda. They had no difficulty in condemning the Soviet military intervention in Afghanistan. Both wished to gain what dividends they could from identifying themselves with the Western cause and offering their services to help thwart Russian expansionism. For the time being, at least, the Afghan affair has overshadowed the Arab-Israeli conflict. Clearly, however, it will not make the implementation of the Egyptian-Israeli peace treaty any easier and even less pave the way towards a comprehensive Middle East peace settlement.

## Autonomy

Israel was quick to make use of the super-power confrontation over Afghanistan as an opportunity to demonstrate itself as a bastion of the West, to obtain more military aid, and to forge closer links with the U.S. by making available military facilities. Its hope also was that the gentle, arguably feeble—pressures from Washington for concessions in the direction of a more meaningful form of autonomy for the inhabitants of the occupied territories might be eased.

However, in spite of the bonhomie and good personal relations demonstrated by Mr. Sadat and Mr. Begin, Egypt has made clear its determination not to compromise further on the issue of Palestinian self-determination. Having refused to comply with Israel's request for a substantial increase in military aid, the U.S. has not only opted for Egypt's facilities and carried out joint air force exercises. It has also asserted before its view that the establishment of a form of autonomy satisfactory to the inhabitants of the West Bank and Gaza Strip is more imperative than ever.

No progress was made at Aswan towards resolving the deadlock between Egypt and Israel on the form of self-determination to be granted to more than 1m Arabs who have now lived under military occupation for more than 12 years. Israel has continued to insist that autonomy should apply to people and not to the territories concerned and that it should be administrative in nature and

not legislative or juridical. Israel has also rejected any linkage between the negotiations on Palestinian autonomy and the implementation of the peace treaty. Not only Mr. Begin but also the Labour Opposition in Israel say and apparently believe that the creation of a Palestinian state of any kind can only lead to the establishment of a Soviet presence in the heart of the Middle East, jeopardising the very existence of Israel and Western interests.

Egypt has maintained that the negotiations must lead to independence and that peace with Israel is organically linked to the Palestinian issue. With such a basic difference and with Israel firmly in possession of the territory in question, Egypt can only bargain over the pace of "normalisation" of relations with Egypt. "Normalisation" is an integral part of the treaty and is supposed to be brought about when ambassadors are exchanged on January 26.

## More flexible

In the best of worlds the process must be a gradual one. Whatever Mr. Sadat's assurances to Mr. Begin, Egypt evidently intends to slow it down. Such tactics are the only means of bargaining at its disposal—apart from American pressure and persuasion—to try to bring about a more flexible Israeli attitude to the future of the occupied territories.

In the last resort Egypt belongs to the Arab world and values its membership of it more than relations with Israel. It has no choice but to reject the unchanged Israeli concept of autonomy. Objectively, meanwhile, no form of self-government that does not satisfy the people of the occupied territories can be worth establishing. Unsolved, the Palestinian problem will remain a source of instability that has in no way been removed by the crisis over Afghanistan. Certainly the search for a formula that fulfils Arab aspirations and recognises Israel's concern for her own security remains a daunting task especially as long as the Palestine Liberation Organisation refuses to recognise the Jewish State's right to exist. Meanwhile, however, Mr. Begin and his colleagues must be deluding themselves if they really believe that the West is likely to give unreserved support to their assertion of effective Israeli sovereignty over the occupied territories.

## Fiscal policy in recession

IN AN important speech yesterday the Financial Secretary to the Treasury, Mr. Nigel Lawson, restated and clarified the Government's fiscal objectives and the reasoning behind them. It is no news, of course, that the Government is committed to a long-term downward trend in public sector borrowing; but some of the Government's critics, including a minority of its supporters and official advisers, have been urging recently that it was right to relax the pursuit of this objective when a recession is threatening. Mr. Lawson showed both that Ministers understand these arguments, and why they reject them.

## Confusion

There are in fact two lines of argument involved, which have become hopelessly confused. The first rests on a continuing belief in demand management—the idea that the Budget can and should try to offset likely movements in economic growth, adding to demand in a recession and cutting it back in a boom. Those who hold this view have recently adopted a new brief: a Bank of England research paper which shows that in "real" terms the borrowing requirement has been low or negative in recent years, once account is taken of the real capital losses incurred by holders of the National Debt.

Mr. Lawson made it clear that, in the Government's view, this whole line of argument is mistaken. If the Government has a firm commitment on containing monetary growth, as it has, he argued, that the fiscal balance cannot influence total demand. A high borrowing requirement simply raises interest rates, an unfavourable consumption—including public consumption—at the expense of investment.

## Inflation

It is the rate of inflation rather than the level of Government borrowing which controls the growth of total demand, as he argued, and as we also believe. A fall in inflation makes monetary policy less constraining, and directly releases corporate finance otherwise required simply to maintain activity for more useful pur-

poses. It is perhaps worth adding that a fall in inflation also increases the "real" value of the borrowing requirement as measured in the Bank of England paper. Inflation accounting seems to support the Government's analysis, not that of its critics.

However, a second debate has been going on for some months in response to a speech by the Chancellor of the Exchequer, which was open to the interpretation that the Government would have to cut spending even more sharply because of the prospect of an economic downturn, which would reduce revenue.

This inspired a number of critics, notably including the Government's new economic adviser, Professor Terry Burns, to point out that such a rule would actually risk a downward spiral, in which Government spending would be further cut in response to every cut in private spending.

Yesterday Mr. Lawson made it clear that the Government does recognise the implications of recession: it might raise the borrowing requirement above the falling long-term trend which the Government is trying to achieve, leading to little change in recession years, with reductions when reviving activity and revenue made this possible.

## Constructive

We find ourselves in entire agreement with this basic philosophy—though an analysis of this kind is by no means a complete economic policy. We would stress first that not all ways of reducing public sector borrowing are equally helpful; cuts in expenditure, and especially of course in wasteful expenditure, make a far more constructive contribution than the imposition of higher prices and charges. The Government's methods of financing its own borrowing may also affect the burden, especially in the long term; debt service, after all, is now the largest item in public spending. But it is to be hoped that this clear and logical statement may help consolidate the recovery in confidence which promises to reduce the debt service burden in the most painless available way.

## NORTH SEA OIL

## Revolutionary concepts open up new vistas

BY RAY DAFTER

VISUALISE an oil production platform, fully assembled, being towed to the middle of the North Sea where it is connected to a cluster of already-drilled wells and for 15 to 20 years the floating platform rides out the waves while it drains one of Britain's medium-sized offshore fields. And at the end of that time the whole unit is then towed to another field to be put into operation all over again.

Or—an even more revolutionary idea—a specially converted oil tanker steams to a seemingly insignificant marker buoy far out in the North Sea or perhaps the Atlantic. There a proboscis-type tube is lowered and oil is "sucked" into the vessel's storage tanks. The tanker is operated on a shuttle service between the field and an oil port until either the field is depleted or enough information about the reservoir has been obtained for a permanent production system to be used. The vessel is then sent off to exploit reserves elsewhere.

A few years ago these systems lay well beyond the frontiers of offshore technology. In the main, companies had little alternative but to produce oil through permanently-fixed structures: giant concrete structures, heavier even than the biggest tanker, or lofty steel platforms, pinned to the seabed by piles up to 420 feet long. The rising cost of these massive edifices, combined with the obvious limitation of water depth, restricts the use of fixed platforms to those fields which are fairly big and lie in water depths generally no greater than 800 to 1,000 feet.

Now that the UK is close to energy self-sufficiency and with North Sea oil prices around \$30 a barrel, almost double the price this time last year, the industry is in the mood to apply new technology in a bid to exploit reservoirs previously beyond its reach.

A breakthrough came last week when, after much speculation, the U.S.-based Continental

Oil (Conoco) group and its North Sea partners announced that they would use the world's first tension leg platform (TLP) to develop the Hutton Field. The group, which also includes the British National Oil Corporation, British Gas, Amoco, Amerasia, Gulf, Mobil and Texas Eastern, are to spend \$800m on the project.

The cost is little different from the money the group would have to spend on a conventional steel platform. What is more, the depth of water above Hutton is only 455 ft, well within the range of fixed platforms. However, Conoco argues that it is wise to try out the TLP system at a depth where divers can be used.

Mr. Dennis Gregg, Conoco North Sea's vice-president in charge of the project, explained: "This gives us a back-up in case it is needed for installation and operation."

The TLP system is designed to operate at depths up to 2,000 feet. Therefore it opens up for development a large new area of the UK Continental Shelf, mainly to the north and west of the Shetland Islands and Outer Hebrides. Several hundred million tonnes of prospective additional reserves (not yet discovered) have probably been put in the reach of oil operators. Each 100m-tonnes would be sufficient to keep the UK fully self-sufficient in oil for 12 months.

One of the great advantages of the TLP is that the structure can be easily unhooked and towed away once the field is depleted. Once refurbished, the platform can be used again in another field.

Even greater flexibility is incorporated in a production

system now being developed by British Petroleum. Indeed, if successful, it will make offshore oil operators reassess the recoverability of oil reserves, in particular to redefine the meaning of economically marginal fields.

Marginal fields are large accumulations of oil which cannot quite be exploited economically, given existing tax rates, oil prices and so forth. Until quite recently it was reckoned that fields would have to contain at least 100m barrels of recoverable reserves before they justified exploitation. As oil prices have risen and technology has improved, so the threshold reserve figure has been reduced to a point where it is now between 45m and 70m barrels, depending on the field's location and characteristics.

## Built-in tanker facilities

But BP's proposed new production system raises the enticing prospect of a commercial field with just a few million barrels of recoverable reserves. It would do away with the need for a platform—fixed or otherwise. All the recovery facilities would be carried in a tanker which might spend a month producing oil and four or five days ferrying the crude to shore.

BP has labelled the idea SWOPS—Single Well Offshore Production System. It would work like this:—

A well, drilled in the normal way, would be fitted with a special type of seabed wellhead structure. Apart from a sonar transmitter on the seabed and a marker buoy on the surface, each needed to help the tanker captain to locate the well—there would be no other fixed installation. The remainder of the production facilities would be built into the tanker.

The ship would be equipped with a derrick through which a flexible riser pipe could be raised and lowered. The riser would be designed to lock on to

the wellhead. Oil would be produced in the normal way, with reservoir pressure helping to push the crude up the riser and into the tanker. The crude oil would be processed in gas and water separators before being stored in normal tankers. The gas separated from the oil could be used to fire the ship's boilers because the vessel would need a good deal of fuel. Throughout the recovery operation the tanker would be kept on station by means of adjustable thruster motors.

In bad weather the tanker would have to stop loading and retrieve its riser. Normally oil companies try to avoid such interruptions. They hate seeing costly equipment lying idle. But with SWOPS a stoppage would be less irksome. BP estimates that it would cost no more than £25m to £50m to convert a 50,000-60,000-ton tanker and install the well system.

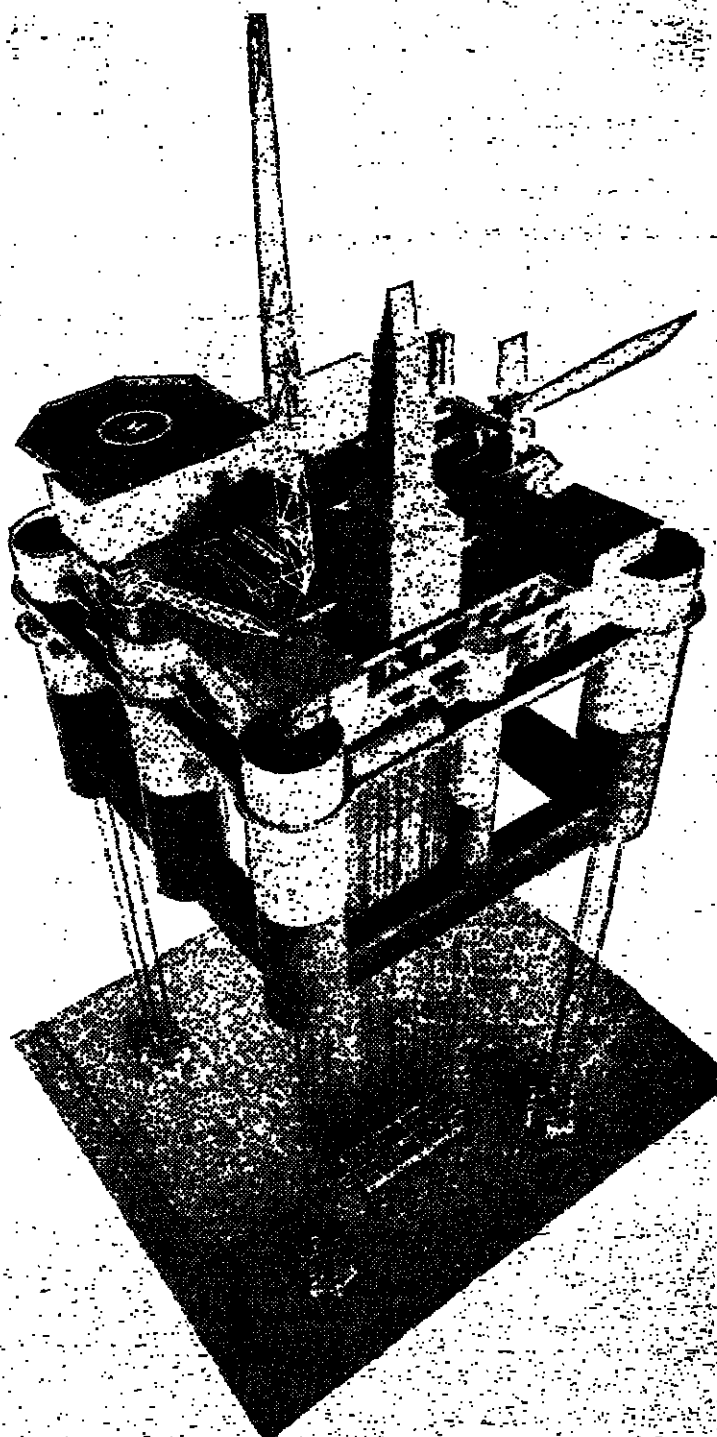
Dr. Jack Birks, a BP managing director with responsibility for oil and gas technical development, said that although the concept was revolutionary it would pull together various aspects of proven technology. Ocean-borne wells have been installed in a number of North Sea fields. The industry has experience of raising and lowering riser systems.

The SWOPS idea crystallised in BP's minds only a matter of months ago. Development work is continuing. But already the group is seeking a suitable site for its application. Ideally, the company would like a field where the flow of oil through a single well would be at least 4,000 to 5,000 b/d. But that does not mean that the field has to be tiny.

One of the big advantages of SWOPS is that it can be used for an extended test on a large field which later would have to be exploited through a more conventional system. Drilling rigs are too expensive to be left over a newly discovered field for months on end, testing the quality of the oil and the characteristics of the reservoir. Furthermore, it is a wasteful business, for invariably the produced oil has to be burned. An exploration rig has no storage capacity. SWOPS would have facilities for producing, testing, storing and transporting all of the recovered oil.

BP has a number of oil-bearing concessions where SWOPS could be used, including its discovery in the Porcupine Basin off Ireland's west coast. There BP is said to have discovered a reservoir which, at present, looks too big to be ignored but too small to be a commercial proposition.

More significant, the system could be used for an extended test on the very big reservoir of heavy oil which has been identified about 40 miles west of the Shetland Islands. BP, Chevron and Imperial Chemicals Industries discovered this so far unnamed field in block 206/8 in August 1977. Since then, nine further wells have been drilled in the vicinity: three on block 206/8, and six in the adjacent blocks 206/7 (Elf/British National Oil Corporation), 206/9 (the Mobil Group) and 206/12 and 206/13 (Esso).



Model of Conoco's tension leg platform for the Hutton Field.

According to Dr. Birks, the estimated amount of oil in place is between 3.5bn and 4bn barrels, of which about 2.6bn is in block 206/8. To put those figures in perspective, BP's prolific and lucrative Forties field also contains some 4bn barrels in place.

Unlike Forties, the West Shetland oil does not flow well. The oil is heavy by UK standards (its specific gravity is about 25 degrees API); it is thick and sticky. To make matters worse the reservoir rock itself is of poor quality. As a result, BP reckons that under normal recovery conditions it would be possible to recover only 6 per cent of the oil in place compared with a 40 per cent recovery factor in Forties.

This year BP and its partners plan an experiment to see if they can improve the recovery performance. They intend to fracture part of the reservoir by injecting a fluid under pressure. This fluid will contain a "propping agent"—finely ground solids like tiny ball bearings—which will keep open cracks. In theory the oil will flow more freely through these cracks.

If the experiment is successful BP may decide to use SWOPS to run an extended production test for several months to see whether the flow rate can be maintained or whether it falls and dies away. If the signs are encouraging BP and its partners could authorise the full-scale development of the West Shetland field or, more

cautiously, choose a pilot development scheme. One such pilot scheme considered by BP Petroleum Development, Aberdeen, would involve the drilling of up to five wells linked to a floating production platform. The shallow depth and the long, thin shape of the reservoir limit the number of wells which can be drilled from one location.

Had the West Shetland reservoir been on land the field might well have been on stream by now. Wells could have been drilled all over the reservoir. Steam could have been pumped down to reduce the oil's viscosity, to make the crude flow more freely.

Such practices are out of the question offshore—at least for the time being. Industry must find other ways of teasing oil from fields deep in the Earth's crust, hundreds of feet below water. But the industry is man-aging. Through the application of systems like Conoco's TLP and BP's SWOPS Britain's North Sea reserves will be stretched. Fields once considered to be too small or too remote are now being brought into the reckoning. Given careful husbanding—and the Government is currently grappling with the components of a new depletion policy—there is no reason why Britain's oil resources should not be made to last well into the next century. There is a growing body of opinion within the offshore industry which maintains that improving technology should enable the UK to remain self-sufficient in oil at least until the year 2000.

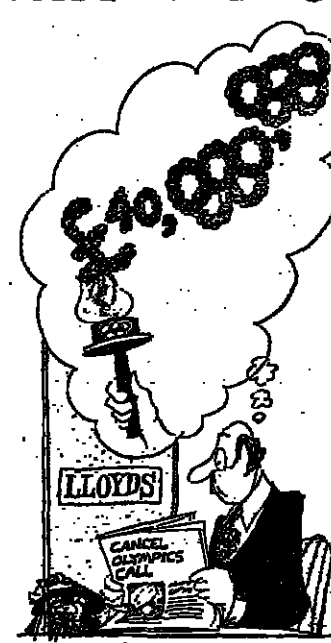
## MEN AND MATTERS

## Last post for the country P.O.

Given the vagaries of the delivery system these days, the Post Office will deliver a little while to deliver the 635 letters—one for every MP—sent off yesterday by Norman Taylor, general secretary of the National Federation of Sub-postmasters. This organisation, based in rain-lashed Shoreham-by-Sea, is currently exercised by the strong possibility of its members being at a stroke, reduced from 21,000 to 18,000.

According to the Post Office this would be the consequence of proposals to make child benefit and other payments fortnightly or at even longer intervals—even possibly to pay them directly into bank and savings accounts. The result would be an immediate loss of income to sub-postmasters of 20 to 25 per cent. From a government point of view, such changes make per cent sense. Every time a child benefit voucher is cashed, for instance, the Department of Health and Social Security pays a fee of 35p. If this voucher is paid directly into a savings account, the cost shrinks to 5p a time.

The news for sub-postmasters is not quite as bad as it would have been a few years ago. The Post Office now compensates those forced into closing up shop with 18 months' salary and other benefits. But for the wider public the proposed changes could have more profound implications. About 70 per cent of the business of sub-post offices is concerned with the payment of benefits. In Taylor's words, they are a central part of "the all-embracing welfare state". For instance, the DHSS has pursued a deliberate policy of shutting smaller offices; both it and the Department of Employment place increasing reliance on post offices. "They are," says Taylor, referring to the powers that be, "are looking at things from a purely monetary point of view without regard for the social consequences."



is being suggested is so evidently ludicrous I can't contemplate them really doing it." Among the consequences he (and incidentally the Post Office Users' National Council and the local authorities) foresees is pensioners and others, used to weekly budgeting, running quickly into debt. More forceful, perhaps, is the argument that many of the post offices which would close are in the country, leaving many clients with no other choice than to trek to the nearest town.

In case the MPs do not respond to Taylor's *cri de coeur*, his Federation is next month mounting a national lobby of Parliament.

## Under control

While Britain's youngsters are not getting any toys through the occupying workers' blockade at the Liverpool Meccano factory, their parents may be happy to learn that equipment essential to their success at school will soon be allowed out.

the National Centre for School Technology at Trent Polytechnic, told me gleefully yesterday that he had won assurances from the sit-in workforce that it would release stocks of kits used in "O" level and CSE courses on control technology.

The courses, Shillito explains, enable children to apply dry facts drilled into them in maths and physics lessons to practical projects in the fields of engineering, electronics and fluids. "The kids are motivated into actively enjoying the lessons," he says.

These sophisticated building sets, costing about £140 each, have been made on contract by Meccano since control technology was introduced to the curriculum in 1970. They are now used in about 500 schools and the prospects for further expansion seem bright since "A" level courses are also being planned.

Shillito has extracted from Airfix, Meccano's parent, a half-promise that manufacture of the kits will be resumed. But since he still does not know where or when he is keeping his options and his eyes open, and is ready to consider sources of supply other than the present one.

## Knowing question

Some readers will be familiar with the fiendish examinations inflicted on would-be high flyers entering the Civil Service. Lasting up to a week, these involve, for instance, being subjected to a mock TV interview—in front of a video camera—by someone impersonating Robin Day in a tough mood. The film is then watched and criticised by all the fledgling flyers.

Another favourite involves entrants writing a description of themselves from the point of view of a friend... and then of an enemy. Nowadays the acuity of the men and women guarding the corridors of power

is not to be underestimated. Indeed, an essay question in CS exams last week required entrants to "Choose any city in the British Isles and describes how you would organise it for the Olympic Games."

## Crushed comrade

Rans Klein, a young East German who hoped to walk the 1,000-odd miles from Berlin to Moscow for the Olympics, yesterday made the mistake of publishing his scheme and for his pains saw his spirited ambition comprehensively and publicly crushed by the editor of *Junge Welt*.

"What do you think of my idea?" Klein asked in a letter to the paper. With leaden efficiency the editor responded with a volley of noes. No room in Moscow hotels, no tickets, no official facilities for rambling or cycling across East Europe, and no unofficial trips allowed without a sponsor in Russia.

In what I take to be a reference to the vast distances between the two cities, he added: "It can be assumed you would not be able to reach a hotel each evening so that you would not be able to be received in a manner befitting a guest in Russia."

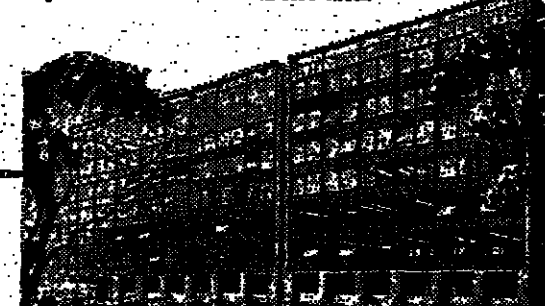
## Mystery member

Eager to bring my readers ever deeper insights into the workings of the business and financial world, I asked Stock Exchange chairman, Nicholas Goddison, yesterday what the Exchange hoped to gain from its recent, strangely unpublished, decision to join the Confederation of British Industry. "I find that a difficult question to answer," he confided. "I can't join the TUC, can I?" The CBI—even more curiously—professed to be equally non-plussed.

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It is good to remember that most people live their lives untouched by any form of cancer.

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This Application Form, 17/7/78

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# FINANCIAL TIMES SURVEY

Tuesday January 22 1980

## ARAB CONSTRUCTION

Competition is growing fiercer as Arab countries complete the major phases of their development projects. Governments are able to force contractors to take lower profits and developing countries, in particular South Korea, are claiming an increasing share of the business. For this year at least, the market's expansion is likely to continue, but it has almost reached its peak.

### CONTENTS

Introduction	II	Jeddah exhibition	IV	UAE	VIII
Tackling the market	II	Materials	V	Manpower	VIII
Industrialisation	III	Maintenance	VI	Saudi Arabia	IX
UK contractors	IV	Contracts	VII	Bahrain	X

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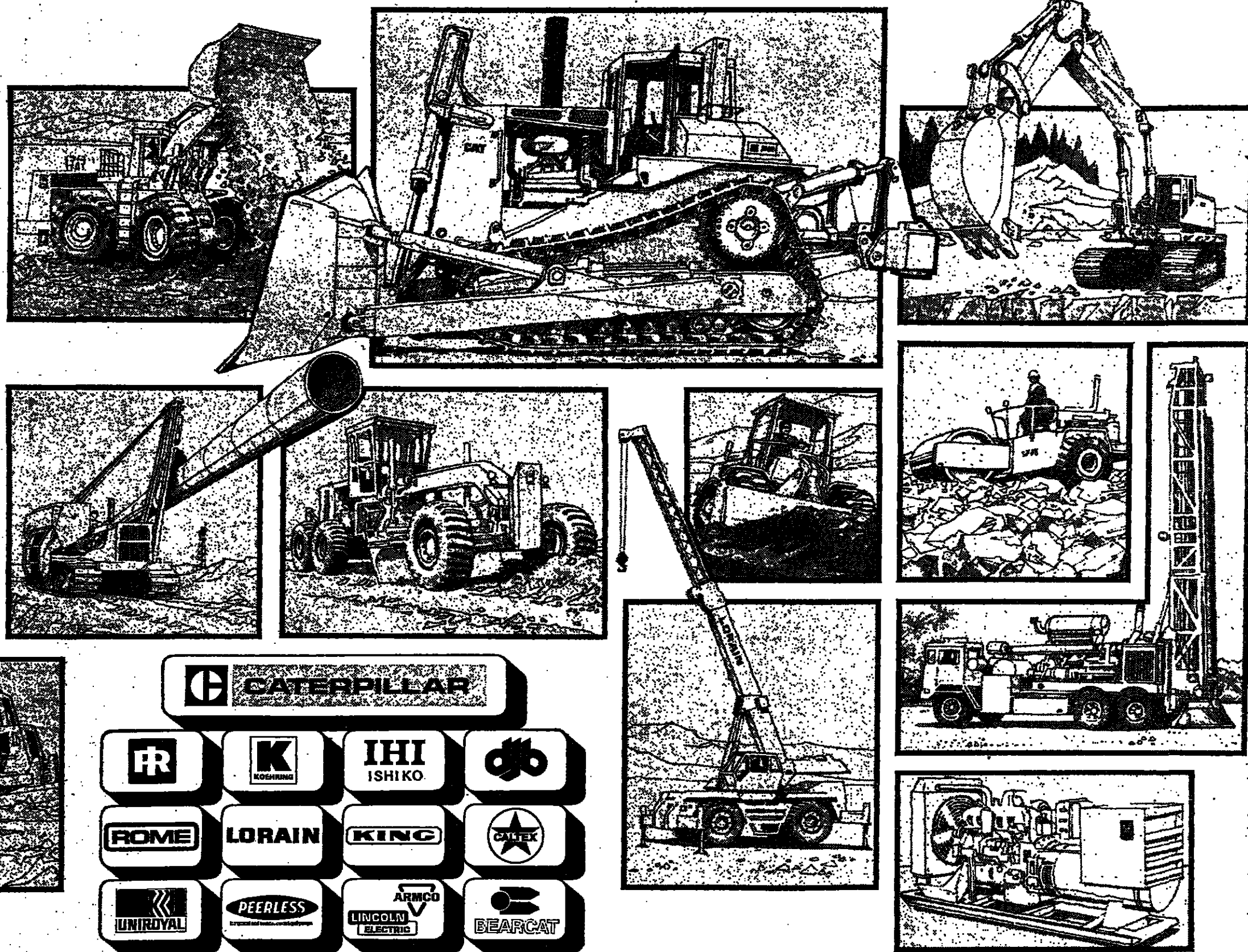
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## ARAB CONSTRUCTION II

## Demand peaking but still plenty of work

THAT THE Arab construction market would not continue to expand at the breakneck speed of recent years has been accepted now for some time. There were inevitable limits to what the oil-rich countries in particular could absorb. As a result, attention has moved from the installation of first generation infrastructure (in Kuwait, for example, this has been in place for more than a decade), and from over-ambitious development plans.

Selection of industrial projects has become more sophisticated, and greater attention is being paid to socially beneficial programmes such as housing, education and hospitals. But for the moment the market continues to expand. Estimates by Plantecon (Overseas) Research show that the construction market of the 12 main Arab countries in the eastern part of the Arab world was worth \$88.4bn in 1979 and that this was at least a rise of more than half over the previous year. This particular calculation omits Libya and Algeria.

But Libya in any case had recorded a decline in its construction market in 1978 of 13 per cent and is probably only a moderate prospect for construction growth in the future. The major share of the market was taken by Saudi Arabia with 58.7 per cent, followed by Iraq with 16.2 per cent.

Last year the market as a whole had grown by 5.8 per cent to \$40.6bn with Saudi Arabia still growing at an above average overall pace, and with Iraq significantly expanding at the second fastest rate—13.2 per cent, and totalling \$7.1bn. The swiftest expanding market was again of some importance. It was Jordan which, although not of great size when compared with others, grew at 35 per cent during 1979, only slightly below that of its rate the previous year.

However, Plantecon, following its calculations reproduced in the current edition of Middle East Materials and Equipment, estimates that the size of the Arab market is likely to change significantly over the next few years.

The Saudi market, and this can be taken as a general guide

to the market as a whole, will reach a peak of \$24.1bn this year, a marginal rise over last. But thereafter it will decline until it reaches \$15.1bn in 1985, a fall of 37.3 per cent.

Over this period the cost of materials will reach a peak of \$11.6bn in 1980 (accounting for 48.1 per cent of costs), and decline in 1985 to \$6.1bn (or 40.4 per cent), while labour charges will gradually take a larger share of costs, rising from 31.5 per cent (\$7.6bn) this year to equal the percentage total and costs of materials.

Plantecon believes, too, that the overall diminution in the market will be larger than that experienced in Saudi Arabia, in Kuwait (already down by nearly 10 per cent in 1979), Bahrain, Qatar, the United Arab Emirates (UAE) and Oman. Last year, only Abu Dhabi in the UAE and Oman recorded growth in their construction markets.

At the same time as the decline in the predominantly oil-producing countries of the Arabian Peninsula continues, Plantecon anticipates that Arab countries characterised as being either effectively without oil, or minor exporters, or virtually self-sufficient — i.e. Egypt, Jordan, Sudan and Syria — will grow in terms of their construction markets through to 1985. In these countries the needs are mainly for basic infrastructure.

### Exception

The notable exception in the eastern Arab world among oil producers is Iraq. Most observers are agreed that this market will continue to expand. In the western part of the Arab world, Algeria, which is on the point of launching a new five-year development plan, will be laying stress on housing and educational projects rather than, as before, on developing industry. In the Maghreb area, (comprising Mauritania, Morocco, Algeria and Tunisia) Algeria is probably the only candidate for an expanding construction market.

Thus, even if the Saudi market and its share as a whole declines to the level forecast (and these are in real terms based on 1979 prices and exchange rates against the dollar), it will remain large. For even a Saudi market of \$15.1bn in 1985 would be more than

twice the size of any other Arab market assessed for last year.

Inevitably, forecasting is a hazardous business, and these estimates do not and cannot include the potential political uncertainties of not just the Arab world, but a region whose links and problems stretch over into Iran, Pakistan, and above all Afghanistan.

For example, as a result of the seizure of the Great Mosque in Mecca in November, and the taking of the U.S. diplomats as hostages in Tehran, the possibility was raised that American representation at the current large construction exhibition in Jeddah would be reduced. (It did not, in the end, affect it.)

But the fact remains that there is almost no country in the Arab world which has not drawn the conclusion from the overthrow of the Shah of Iran by the followers of Ayatollah Khomeini that the Pahlavi dynasty was ripe for removal. Economic development had proceeded at a reckless pace, disrupting the basic values of ordinary citizens, so that they had nowhere to turn but religion. And religion in this form rapidly became a force beyond the control of any government.

The developments in Iran and Afghanistan have caused apprehension on the Arabian Peninsula (and in fact, by an unexpected irony, Oman — crucially situated to control the Straits of Hormuz — seems to have been the only State in the area not to have suffered overt unrest), and this in turn must cause contractors to worry that the example of Iran, where a mass of major contracts has been cancelled, might, in the event of political upheavals, occur elsewhere.

It is interesting that in fact the cancellation of these contracts has not resulted directly in increased Western competition in the Arab world. A high proportion of the contractors in Iran were not already involved, there and so far have not shown signs of wanting to relocate their activities to this region.

In addition, the Soviet invasion of Afghanistan must raise questions about its long-term aims in the area, in part for

strategic reasons and particularly because during this decade its need to import oil will increase.

Finally there remains the Arab-Israeli conflict. To some extent the plight of the Palestinians has been overshadowed by events elsewhere and by the fact that Egypt and Israel seem determined to continue to press ahead with their bilateral agreement reached at Camp David and signed in Washington. But there will undoubtedly be a hostile Arab reaction to the exchange of ambassadors between Egypt and Israel, planned for February 26.

### Favour

Against this political uncertainty must be set the fact that if the size of the construction exhibition in Jeddah is a guide, with more than 600 companies represented, potential contractors still appear to favour investment in the Arab market.

But various characteristics over the next few years are bound to be strengthened. The first and most obvious is that with the market overall shrinking, competition must become stiffer and just as developing countries, with South Korea in the lead, will press their claims through lower prices, so also will the contracting companies of the West seek to offset the recession there by trying to make money in the Arab world. Second, this must inevitably strengthen the negotiating hand of the host Governments who have already been able to play off bidders against each other in order to talk them into even lower prices. Furthermore, the cost of borrowing money has risen.

Third, the nature of industrial projects has changed, with less emphasis on extravagant duplication and more on complementary export orientated ones, based on local hydrocarbon resources.

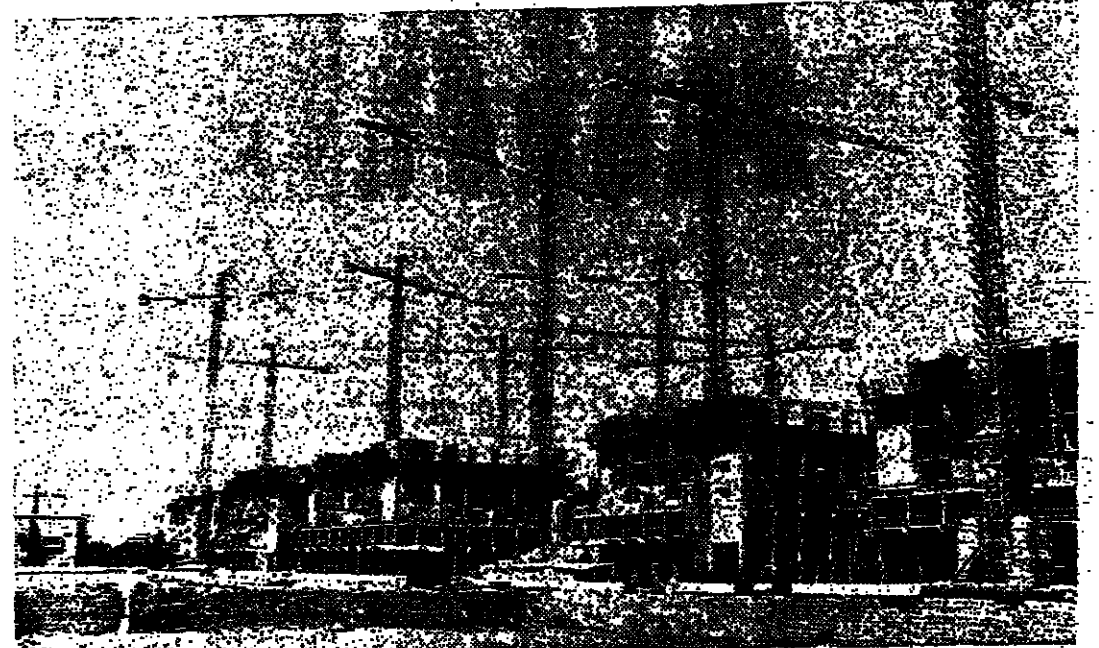
Fourth, the size of contracts is likely to diminish. Turkish contractors who have made surprising inroads into the Arab market, and who claim to be working currently on contracts worth a total of more than \$2bn, reckon that the next generation

of contracts will be mainly within the \$10m and \$100m range.

Fifth, the market now clearly favours those who have already acquired experience there, and above all have the equipment on the ground. For it is increasingly difficult to mobilise new sites. Newcomers, unless they have something special and sophisticated to offer, will find the Arab market difficult to penetrate.

Sixth, there is a trend towards local contractors competing more aggressively. For example, Egypt's largest contractors are, for most projects, nearly self-sufficient. Finally, there must be the additional calculation that because the construction market in the Arab world — although likely to be lucrative for some years to come — has passed its boom period, contractors will begin to look elsewhere, towards the Far East in general and possibly Indonesia in particular.

Anthony McDermott



A housing estate in Jeddah. Emphasis is now being placed on housing, schools and hospitals

### 12 MIDDLE EAST CONSTRUCTION MARKETS 1978 & 1979. (1978 PRICES)

Market	1978			1979			% change 1978/79
	Total '78 Construction	Labour	Material	Total '79 Construction	Labour	Material	
Abu Dhabi	470	160	190	55	16	49	10.6
Bahrain	370	126	122	45	20	57	-5.4
Dubai (3)	1,270	470	545	88	24	143	-17.3
Egypt	2,350	1,116	836	198	83	123	4.7
Iraq	6,240	2,250	2,261	597	168	604	13.1
Jordan	585	243	305	67	18	52	35.0
Kuwait	1,480	533	622	98	25	202	-9.5
Oman	565	182	260	61	17	45	6.0
Qatar	480	144	220	59	14	44	-8.3
Saudi Arabia	22,500	7,800	10,100	1,388	512	2,706	6.7
Sudan	485	218	150	66	15	36	8.5
Syria	1,590	541	762	143	40	104	-8.8
Total Middle East	38,385	13,777	16,633	2,865	952	4,058	5.8

(1) including mechanical, electrical and chemical installations, i.e. total turnover of the respective construction industry in its widest sense

(2) basically design and profits, but excluding land cost

(3) including Northern Emirates

Source: Plantecon (Overseas) Research Ltd., 1980 computations.

## No real secrets left on how to succeed

THERE ARE no longer any real secrets to success in the Arab construction market. The trends have been explored and analysed extensively. If there is an element of surprise it is on the one hand that some companies still have not learned how to cope with this market, and on the other that companies and countries have failed to keep up with changes.

The performances of American and South Korean companies are interesting cases in question. The former are, in theory at least, heavily established and with the political — if sometimes controversial — clout of acceptability backed with a high level of technological know-how. The latter are newcomers to the area from a developing country, ostensibly also from the "capitalist" world, which dominates the Arab construction market as a whole, but in a particularly disciplined way.

The physical conditions of living in a generally difficult environment and conforming to sometimes demanding local traditions have been described often enough although there are some changes.

Housing costs, for example, on the Arabian Peninsula have long been high, although the rate at which they are increasing has slowed considerably, and some cases even fallen. Cairo's inefficient telephone system and legendary traffic jams have indeed altered for the better in the past two years.

In doing business there are those countries, such as Iraq, Syria and Libya, where contracts are won only by working through the centralised bureaucracy and administration. Elsewhere, private enterprise tends to dominate. But in both cases the path to success is found essentially only through contacts, and in the Arab world these have to be developed and nurtured over a fairly protracted period.

### Languages

It must be grasped, too, that local regulations vary, although as a general trend it can be accepted that governments, on the whole, desire increasing local involvement in contracts. Companies, in particular from the Anglo-Saxon world, have been peculiarly slow to grasp the importance of languages — Arabic, obviously, if only as a token gesture but also French in the Maghreb market of Morocco, Algeria and Tunisia — to be brushed. But broadly the fact remains that contractors should by now know the secrets of success in the Middle East.

It is something of a surprise to learn from studies conducted by International Construction Week, the U.S. Army Corps of Engineers and the

U.S. Agency for International Development published in New Engineering Record — that U.S. companies ranked twelfth in competition for the construction market. Over the 13 months up to the end of June, 1979, they had won contracts worth \$0.35bn, compared with the leaders, South Korea, with contracts worth \$4.6bn out of a total of \$19.73bn. (The other countries considered were Italy, West Germany, Japan, France, Brazil, Yugoslavia, Britain, India, Taiwan, and the Soviet Union.)

### Slipped

The U.S. share of the market had thus slipped from 10.3 per cent when it won contracts worth \$8.9bn out of \$86.3bn between June, 1975, and April, 1978, to a mere 1.8 per cent; while comparing the same two periods, South Korea's share rose from 5.3 per cent to 23.3 per cent.

Part of this must be attributed to the collapse of the Iranian market, but at the same time the study concentrates heavily on the Saudi market. It is an irony that South Korea should be doing so well because it was its contractors who were trained by the U.S. Army Corps of Engineers in the 1950s. With literally military efficiency — service abroad as manpower is an alternative to conscription — Korean companies are not only dominating the labour-intensive market but also moving upwards into more sophisticated areas such as power supply systems, and oil industry installations.

American companies have slipped behind for a number of reasons. First, opportunities have been reduced because plant has to be imported from long distances, and because companies frequently find contract terms too onerous.

Second, for political reasons, countries like Libya, Iraq and Syria are sometimes hesitant to take on American contractors.

Third, the gap between the level of technology which U.S. companies could provide and that of other countries has closed considerably.

Fourth, there seems to have been an arrogant assumption that political power and economic influence went hand in hand, and that contracts naturally followed.

Fifth, U.S. companies have suffered from the fact that compared with Canada, France, West Germany, Italy, Japan, Britain and South Korea, Government assistance is considerably less.

Thus, of these countries, the U.S. is the only one whose citizens have their personal income taxed abroad. Except for Japan and Canada, U.S. companies are alone in not having VAT rebates on exported materials, equipment and

services. The U.S. and Japan are the only countries, in theory at least, to enforce an anti-boycott act. Again only Japan and the U.S. try to enforce a corrupt practices act. The U.S. is alone in requiring a statement on the environmental impact of some projects.

Above all, apart from South Korea, it is the only country whose Government does not provide bid and performance bonds guarantees and financial backing to match that of other countries.

The same study suggests that, even allowing for this financial disadvantage, U.S. companies have been less successful than they should have been in developing salesmanship, market analysis and a knowledge of how to conduct business. Indeed, it must be gratifying to some sectors of British business to hear such accusations being levelled elsewhere.

Thus between June 1975 and June 1979, of contracts worth \$108.1bn, the U.S. won 8.6 per cent, exactly the same proportion as South Korea. But as has been seen, the South Korean share of the market increased dramatically during the 13 months up to June 1979. During the first period, U.S. companies won 53 contracts, while South Korea won 51, whereas in the latter period the former could manage only seven and the latter 34.

During those 13 months, the Korean contract values of \$4.7bn were marginally ahead of its value during the previous three years. Over the total period, the main beneficiaries were West Germany with 18.9 per cent of the market, Japan with 15.9 per cent and Italy with 9.5 per cent — ahead of the U.S. and South Korea.

In this most recent period covered by the study, South Korea won more contracts than any other country. In part, its success can be attributed to its fulfilling a short-term political need: that of providing employment and contracts for companies of the developing world. Saudi Arabia, in particular, is sensitive to the feeling that Western companies have been gangling up against it when bidding for tenders.

The South Koreans have an added advantage in that they have perhaps the only companies in the developing world to have genuinely graduated from the second to the first league of contractors. (This would appear to have some drawbacks.) Hyundai has now been barred from bidding for the causeway between Saudi Arabia and Bahrain, and has also been removed from the list of sub-contractors of the U.S. Army Corps of Engineers because of allegations of bribery. Although South Korea may be comparatively inexperienced in management techniques and technical knowledge, its Govern-

ment has been careful to co-ordinate competition by area and specialisation. Furthermore, the South Koreans, like the U.S., have a clean slate as far as political links with the Middle East are concerned.

In addition they operate from the basis of a social structure — not unlike Japan — monopolistic ally tied to specific companies, giving them a solidarity not found easily elsewhere.

A crucial issue is labour. Although the percentage of military conscripts has declined, the labour force tends to be much better disciplined than elsewhere. For the countries of the Arabian Peninsula, where immigrants form a significant part of the population, the fact that South Koreans tend to keep themselves apart and return to their native land after the completion of the contract is an additional advantage.

South Korean companies have been remarkably successful in underbidding competitors, with some help from the Government in covering foreign exchange losses.

### Links

They have concentrated their interests first on Saudi Arabia, where its strong links with the U.S. for defence contracts in Vietnam could well have proved an additional advantage, and Kuwait. Further to their advantage is that the technical performance of Korean companies has been rising — for example, in Saudi Arabia their contracts include the construction of a naval base and the NGL terminal at Yanbu. Finally, South Korea is having increasing success in selling construction equipment made under licence at home by Daewoo (the Hyundai International).

On the labour front, Korea is extremely methodical. Training camps have been set up in Jordan, according to the monthly Middle East Construction, which hope to turn out 5,000 workers a year, and pay levels are such that they are likely to remain competitive for some time. Their discipline is rated as being sterner than Indian and Pakistani labour, even if it is, rather more expensive.

Other countries involved in the Arab construction market tend to fall in between these two extremes of the western approach to the Middle East construction market (the American study gives Eastern Europe only 5.4 per cent of the market — some \$5.5bn between 1975 and 1979) — reputation at virtually its most laissez-faire and at its most organised. For the moment, the latter seems to be gaining ground, but all parties are aware that the market is contracting and that competition will be harder in future.

Anthony McDermott

Bahrain.

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Iran.

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Qatar.

Saudi Arabia.

Tunisia.

Turkey.

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# Development projects tied to exports

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\* The Saudi steel mill is domestically orientated and exports from Qatar will be to other Gulf countries.  
† Expansion projects. ‡ One plant being rebuilt after explosion in 1977.  
§ There are very long-term plans for petrochemicals in Abu Dhabi and LNG in Qatar.  
|| It is Kuwaiti policy not to have Western partners.  
|| Saudi Arabia requires at least 20 per cent share from foreign partners; some deals include output off-take commitments by foreign companies.  
\*\* Abu Dhabi is the main UAE producer of LNG and NGL (Das Island) and production of NGL at Ruwais is priority development. In Dubai NGL output will be used by the aluminium smelter as well as exported.

for oil refined products from the producers.

The comparative advantage in the production of petrochemicals—at least for ethylene and its primary derivatives—which the Gulf States may enjoy, as compared with established European industry, turns on three things: (1) the low cost of their feedstock, ethane, for which there is no alternative opportunity cost; (2) abundant availability of supplies and (3) on the cheap industrial power they had. However, the prospects for marketing are less happy. The signs are that it will prove difficult to run the plants at optimum capacity and to find takers for the products.

To overcome these problems and the extra political risk which, after Iran, must prey on the minds of foreign companies, producers like Saudi Arabia and Qatar, who encourage the joint-venture approach, are linking crude oil entitlements in exchange for foreign investors' participation in the ethylene complex will be the first to come on stream in the Gulf in 1981. The French

The regional picture which is now emerging is one of specialization. The Arabian States are concentrating on bringing off the ground different hydrocarbon ventures to avoid the pitfalls that beset complementary industries. Saudi Arabia and Qatar are heavily committed in petrochemicals. Kuwait and Abu Dhabi are big in natural gas liquids (NGL).

The economics of industrialization have never looked better than in the last 12 months. Ironically, the upturn in the fortunes of heavy industry has been aided, but not created, by Iran. The increase in the prices for crude oil and oil products, such as naphtha (the normal feedstock for the European chemical industry), exacerbated by the Iranian cutbacks in production, has removed some of the question marks from the viability of petrochemical projects in Arabia. It has changed dramatically the economics of "foot" for petrochemical plants. Acidic prices have

before securing oil-entitlements may pay dividends. But the stakes are high. By 1990, exports of petrochemicals to the OECD will hit a market already plagued by surpluses—3 per cent will be Arab. This has prompted states like Kuwait and Iraq to the United States to take a more measured approach to their petrochemical projects. The producers most committed to these ventures are now considering Asian countries as an alternative market.

The prospects for the sale of large quantities of NGL have improved considerably. European chemical producers, short on naphtha, have turned to NGL. Kuwait, the first exporter to bring on stream one of the new generation of NGL plants, has raised its prices. Abu Dhabi has agreed to sell nearly half the output of its new 1.3-million-bbl-per-day LPG (1.3m tonnes) plant to the Japanese from Ruwais, starting in 1981, to a captive Japanese market. The medium-term prospects bode ill for the producer.

By 1985 when the plants in Saudi Arabia, Qatar and Abu Dhabi become operational, there will be at least a dozen others

world overcapacity. However, an oil-short world, assuming this trend does continue, has little option but to accept oil-refined exportables from the Arabian producers.

The performance of established plants in Arabia show a promising picture. Projects which were previously fraught with problems, such as the Qatar fertilizer (Qafco) and the Saudi fertilizer (Safco) plants, are now both making money. This year, Safco seems to have beat the previous record of 33.5m. tons of urea.

teething problems can be overcome in the harsh environment of the Middle East. The decline in inflation rates and the decongestion of infrastructure, bottlenecks have brought estimates of extra-capital and operating costs down by half. The experience acquired in operating these plants — the learning curve — suggests that the new generation of plants will be platinum plated.

quick returns to be had in trade, land, food processing and building materials (the latter market saturated except in Saudi Arabia) and towards investing in more sophisticated industrial components which would, in time, provide support to the domestic and export-oriented gas and oil sectors.

The will to create a responsible industrial nation is given credence by the Saudi Industrial Development Fund's discriminatory attitude to lend to "risky" private sector ventures — not least the oil industry.

Attigi, Kuwait's Finance Minister, speaks strongly against always having to bale out private sector lame ducks. In the UAE, the situation is reversed. The urge to invest in productive ventures has come from the industrialists, while the Rulers have dragged their feet in giving the necessary guarantees.

The formula for success in the light industrial sector has hitherto been in simple and bulky products. Contracts have been won where the operations saved on freight costs and made use of local technology. The new era of contracting is under

private companies will be those that respond to the planner's challenge. It will be those companies which look to the regional market to reap economies of scale. Notable successes are Kirby in Kuwait and National Plastic in Sharjah. A quality customer and superb marketing techniques will be needed to break down the traditional local consumer resistance to domestically produced goods.

The gross potential in the maintenance repair sector — by Pintercom — favours 'Research' (oversee — favours

In future, it seems likely that, to minimise the social strains that accompany industrialisation, Arabian governments will follow a policy of more balanced growth. The more mature economies such as Kuwait and Bahrain will continue to diversify in revenue-supplement services such as banking, which suit their national and economic foreign labour. All States are likely to moderate their future expenditure.

**Antonia Alafouza**

### Artista: Lafonza

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A high-contrast, black and white photograph of a rough, textured surface, possibly a wall or concrete. The texture is highly irregular, with many small pits, bumps, and shadows. In the upper right corner, there is a dark, irregular shape that appears to be a shadow or a hole in the surface. The overall image has a grainy, almost abstract quality.



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# Many British companies hit by spending cuts

THE MIDDLE EAST construction market no longer offers UK contractors what for a few brief years appeared to be a guaranteed succession of contracts to stretch the imagination and skills of civil engineers and design teams—and to provide, for some at least, a valuable source of profits.

Few contracting operations or architects would subscribe to the view that it was at any stage a simple task to notch up a multi-million construction job in the Arab world, though most would now accept that if it was tough in the past it is even tougher today.

Quite simply, the first hectic rush to invest in buildings, plant and basic infrastructure on the part of the oil-rich nations of the region is over. In several countries construction expenditure has peaked because of the need to curb wildly escalating national budgets or simply because the smaller States have inevitably reached the point where their size and population cannot justify further heavy investment.

But the decline in new building and civil engineering work, which is in any case far less pronounced in some of those nations that were initially slower off the mark, does imply the end of the Middle East as a major construction market. Its role in this respect is immense and will continue to be so.

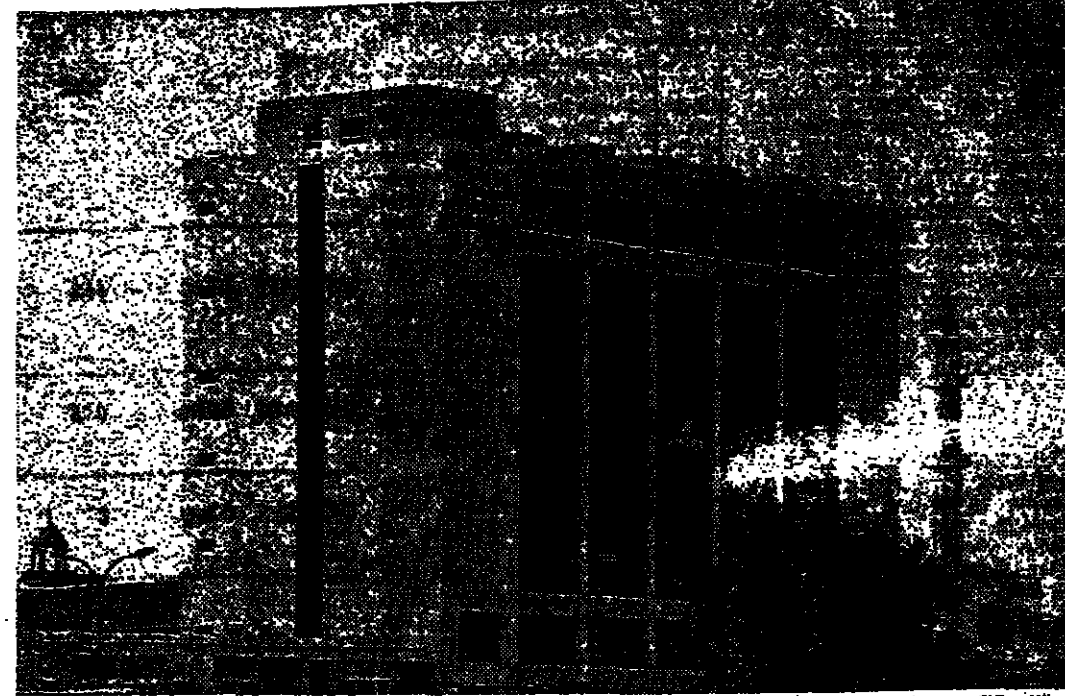
Many of the major infrastructure projects are complete and the opportunities for UK contractors—or for that matter any of their competitors—to continue to pick up contracts of the size experienced in the past few years are rapidly diminishing. But if much of the major civil engineering work is in decline, a huge volume of "second generation" construction involving industry and social amenities remains. Increasing experience on the part of domestic contractors is, however, reducing the opportunity for overseas competitors to pick up this type of work.

## Valuable source

There seems little doubt that the Middle East will continue to provide the UK construction industries with a valuable source of work, though there are clear indications that the best is over and that some shift within local Arab markets will be essential if contractors are to pick up business.

Figures produced towards the end of 1979 by the Department of Trade and Industry, but covering only the year to April last, showed that while the total value of all work carried out by British contractors overseas rose to a record level, the value of new contracts actually won during the same period fell after a seven-year period of uninterrupted growth.

The figures showed that, for



The new Qatar headquarters of the British Bank of the Middle East has recently been completed by Bernard Sunley and Sons. The seven-storey building has been constructed with a steel frame clad in concrete. It has external marble wall facings and aluminium sunbreakers. Construction cost £3.6m.

the second year running, the value of Middle East work obtained fell back, although it still accounted for half of all new contracts. At the same time the value of work done in the Middle East rose to its highest-ever level, reflecting earlier successes in the contracts race.

There is every chance that figures for the current 12 months will again show a decline in new work, while statistics on work in progress during the period will also reflect the ending over the last 12 months of some major projects. Many UK contractors stand to fare badly in the wake of the decline in new work, for the biggest reduction in construction activity has come in some of the markets which have traditionally been their best sources of business.

Output in the lower Gulf has been subjected to particularly sharp reductions in expenditure affecting both public and private sectors, exposing those groups which have predominantly relied on the area to provide most, if not all, of their Gulf business. The United Arab Emirates, Bahrain, Qatar and Oman have been worst hit and operators in those markets face mounting problems in maintaining reasonable volumes of business.

The natural reaction of many has been to start the search for replacement work much further afield, notably in Africa, South America or the Far East, but work is still to be won in other Middle East markets which have not in the past attracted much

attention on the part of UK contractors.

Markets like Saudi Arabia, Iraq and Kuwait remain strong and offer substantial contracting opportunities, though the previous reluctance of UK groups to tackle tougher regions while easier alternatives existed has left them with only marginal market penetration.

Saudi remains the largest Middle East construction market, accounting for nearly half the region's total construction expenditure, and UK contractors may now be tempted to step up their efforts to obtain a share of the work available. Needless to say, competition remains intense and payment problems can and do still arise.

## Strict eye kept

The banning of one major South Korean contractor from the Kingdom and a determination on the part of the authorities to keep a strict eye on contracting procedures and standards could well help those UK contractors with good reputations which may decide to take Saudi more seriously in future. Already this year Taylor Woodrow, one of the companies used to being heavily committed in the lower Gulf, has announced the winning of a \$5m contract in Saudi.

But traditional civil engineering contractors will find the opportunities declining as high technology projects account for a growing slice of development activity. In addition, big civil contracts within Saudi are now regularly being broken up into

smaller parts in order to enable local contractors to undertake the work.

Elsewhere in the region there are countries without the huge oil revenues held by some of their neighbours but which have nevertheless started extensive development programmes at a later stage. These include Sudan, the Yemen Arab Republic (North Yemen), and the People's Democratic Republic of Yemen (south Yemen), and Egypt. It is perhaps in Egypt that UK contractors will find the greatest source of future business, though its role as a source of new work will be governed by limited resources and by the availability of international financial support.

The total value of major projects in Egypt, either under-way or provisionally costed, is estimated at over £1bn. Opportunities for component suppliers, plant manufacturers, contractors and design teams should be good and British companies stand to do well. Already names like Higgs and Hill, Tarmac, Laing, Cementation Bovis and Crown House have won work in the country and hopes are high for more business.

But if contractors are being forced to re-examine strategy and traditional markets in the Arab world, there seems no doubt that the region will—despite a declining flow of work—continue to represent the largest source of business for Britain's international contracting industry.

Michael Cassell

# Big response for exhibition

JUST OUTSIDE Jeddah in Saudi Arabia, the largest construction exhibition ever held in the Middle East opened on Sunday. It is housed in the new Jeddah International Expo Centre, a square-cornered U-shaped tent looking like a giant squat sausage. The exhibition has received an outstanding response with over 600 companies from 23 countries represented.

These are predominantly from Europe and the U.S., but Saudi Arabia is making a strong showing in a special pavilion at the back of the forecourt between the arms of the tenting reserved for open-air exhibitors. Only some 600 square metres of the 45,000 square metres available have not been taken—in the open area.

Organised by Fairs and Exhibitions of Britain in conjunction with Al-Harithy Company of Jeddah, this exhibition is the third of its kind, but the first to be held in Saudi Arabia. Back in November there had been some apprehension that the seizure of the Great Mosque in Mecca by opponents of the Government might cause the Saudi authorities to have second thoughts about the holding of the exhibition. Instead, it clearly has been decided to make it an indication that business continues as normal.

The only measures taken which might have had an effect on the exhibition was to step up container inspection at the port to 100 per cent. As a result there is 10 days' congestion at Jeddah, but this it is claimed has not held up deliveries to the Expo Centre.

The timing of the exhibition and the response to it raise a number of interesting points. First, the size of the Saudi construction market over the next few years is likely to become smaller. According to calculations made by Plantacon (Oman) Research, the Saudi market, worth \$2.5bn in 1978, will peak this year at \$2.1bn and gradually decline over the

next five years—by 37.3 per cent to \$1.5bn. The magazine Middle East Construction (MEC), which has been involved in promoting the exhibition, does not broadly dissent from this view. A market analysis on the Saudi market, commissioned by MEC and published this month, concludes that although Saudi Arabia is the most important construction market in the Middle East, "construction output (there) has already reached a peak. It may remain at this high level for a couple of years, but thereafter a decline is anticipated—although this is unlikely to be as brutal as the experience of the United Arab Emirates."

Second, this decline in the size of an already highly competitive market will only make it more so.

## Uncertainty

Third, the U.S. is very strongly represented at a time of some political uncertainty in the Middle East region as a whole and when the U.S. construction industry has slipped behind its competitors in Saudi Arabia, taking only 8.5 per cent of the market in the last four years.

The objectives of the exhibition are, as the organisers indicate, virtually self-explanatory. They say: "It will offer exhibitors an opportunity to demonstrate the latest developments of the world's construction market." In other words it is surely an exhibition and not an opportunity for direct sales.

Any deals announced would be purely coincidental. The exhibition, which ends on Saturday, will also "give thousands of Saudi, Arab and international visitors... an opportunity to assess the products and services on display." The emphasis in the displays is heavily—perhaps as much as 80 per cent—on building materials and furnishings. But there is also some heavy plant exhibited. The proportions indicate the changing shape of the Saudi market. Half of the 3,000 sq metre

special Saudi Arabian Pavilion has been allocated to Saudi Ministries and organisations so that the Kingdom can not only indicate what has been achieved in the construction sector, but also provide some guidance as to what may happen in the future, particularly with a new development plan due to start this year.

In addition, the exhibition provides the usual but vital opportunities for contacts—particularly for newcomers to the market searching for partners and agents.

The new Jeddah International Expo Centre, which had to be re-sited to the Eastern Perimeter Road at one stage because it was originally planned too close to a residence of Crown Prince Fahd, covers 45,000 sq metres, of which 15,000 sq metres is available for exhibitors' displays. Of this, 7,000 sq metres is under cover and the rest outside. It has cost something like \$5m to mount, of which the organisers should recoup about two-thirds through attendance fees alone.

Participation by governments has been extensive. The British Overseas Trade Board has organised the largest British joint venture participation yet mounted for an exhibition in the Middle East, taking 2,500 sq metres of covered exhibiting area, and 2,200 sq metres outside.

The U.S. Department of Commerce, supporting an exhibition for the first time, has taken over 1,000 sq metres to aid the 144 U.S. exhibitors. In addition, West German, French and Swedish government-backed joint ventures account for a further 3,000 sq metres. There has also been government backing for joint ventures by Denmark, Holland, Switzerland, Belgium and South Korea.

The composition of the exhibitors indicate that this is a heavily Western-oriented exercise, even though the organisers did negotiate to bring in representation from Asia, and

the Middle and Far East. Britain has the highest representation in single and joint displays with more than 220 exhibitors, followed by the U.S. with 144, and West Germany, France and Sweden with about 30 each. Saudi Arabia has over 50 displays, and of the rest of the Arab world, only Bahrain, Kuwait, Lebanon and the United Arab Emirates are represented by about ten displays between them.

In view of the challenge of Far Eastern contractors, notably South Korea, and to a lesser extent Taiwan, the Philippines, India and Pakistan, it is notable that only Korea, Pakistan and Taiwan are represented, and Korea solely by the official Korea Trade Promotions Corporation. The same companies which organised this year's fair plan to hold another in Jeddah next January.

A. McD

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## ARAB CONSTRUCTION V

# Local industries protected by import restrictions

THE MIDDLE EAST is still a large market for building materials, though the high level of activity which began in 1970 and reached a peak in 1976 is no longer in evidence.

Many Middle East countries which had practically no infrastructure in the early seventies have completed their biggest projects. Demand now is for more sophisticated products shown to be suitable for the environment and delivery and price are all-important. Competition is fierce, and salesmen visiting the Arab world need to be conversant with technical performance and have the authority to negotiate and make decisions on the spot.

Many developing countries are entering a phase of industrial expansion, with consequent focus on export prospects. Oil-producing countries are anxious to exploit hydrocarbon sources to obtain the greatest value from the oil produced or to use the gas to fuel basic industries such as steel and aluminium. Similarly, most countries are attempting to become independent producers of building materials to supply their own needs and to export to other countries. This is causing a growing number of countries to restrict the import of materials which compete with local manufacture or assembly and in some cases preference must be given to locally produced materials.

Local industries are generally protected by high tariffs. Even so, key items will still have to be imported. The need for foreign exporters to establish joint ventures with local concerns to manufacture or assemble locally is becoming more and more important and can often attract complementary components.

## Marked effect

The unrest in Iran and surrounding countries has had a marked effect on business. Iran was one of the largest individual markets in 1977—and there is obviously still some uncertainty about the future, but the construction exhibition in Jeddah, Saudi Arabia, this month has attracted the largest response ever, with over 200 British companies participating. This event follows two highly successful construction exhibitions in 1976 in Dubai and Bahrain, and already there is a great amount of interest in "ArabBuild" to be held in Bahrain towards the end of this year.

Soundproofed radio studios at Doha, built for the Qatar Ministry of Information by Bernard Sunley and Sons for £4.7m. The building is clad in white; glass reinforced concrete panels supplied from the UK, but cement and aggregates were bought locally.

KUWAIT—Increased development is likely to continue, with a budget of £770m, most of which is likely to be in the private sector. Most building materials are imported although there is some local production of asbestos cement, steel and concrete pipes, bricks, paints, cement blocks and bricks, cast iron pipes and manhole covers, asbestos cladding and aluminium windows.

Some locally produced products are exported, and Kuwaiti businessmen are keen on joint ventures with foreign companies. Competition is very fierce but the importance of quality is to some extent being recognised. About 15 per cent of

Kuwait's imports are re-exported, some to developing countries. Research is being carried out by the building research group of the Kuwait Institute of Scientific Research. Some work has been done on insulation in relation to electrical consumption used for air conditioning, and interest in insulation materials is growing.

BAHRAIN—Oil reserves are limited. The infrastructure has been completed but low-cost housing is still required. Construction declined in 1976-77 but has stabilised at about £150m, more than half in the private sector. The only major project is the £500m causeway linking Bahrain and Saudi Arabia. Small manufacturing units produce window frames, doors, plastic pipes, tiles, bricks and blocks, precast concrete units, etc. Though it is traditionally a market for British goods, competition from other countries is increasing.

QATAR—The country has a diversified economy, as well as its oil production. Manufactures include steel reinforcing rod and cement. Light industries in which foreign participation is welcomed include paint, adhesives, PVC tiles, pipes and manhole products. There are plans for a building materials plant and foundry to produce manhole covers and pipe fittings. The infrastructure is perhaps less advanced than in some other Middle East countries because of lack of manpower. Expenditure on construction is well over £200m and is expected to increase on housing, public building and hotel and a conference centre. UK consultants are active. Most imported building materials attract 24 per cent import duty but 20 per cent is imposed on steel reinforced products in order to protect the local industry.

UAE (Dubai and Abu Dhabi) are the major emirates. Estimated value of construction work is about \$800m—with the major infrastructure completed. In Dubai there are projects in the public and private sectors, including factories producing cement, steel fabrication, aluminium extrusion, plastic pipes, GRP, bricks, etc. There are no special tariff barriers. Abu Dhabi is concentrating development into oil-intensive industries through the Abu Dhabi National Oil Company. A new city is being built at Ras Al Khaima.

SAUDI ARABIA—The world's largest exporter of oil is spending a large amount of money on development. Expenditure on construction in 1978 was estimated to be between \$6bn and \$10bn. Imports on building materials rose by nearly 80 per cent in 1977, but by barely 20 per cent in 1978.

American consultants predominate. As a result America is Saudi Arabia's biggest trading partner. French, German, Japanese and Korean contractors handle most of the larger projects. Large industrial complexes at Dammam and Yanbu are expected to cost \$35bn, about half in infrastructure and construction. The Saudi industrial development fund encourages joint ventures between Saudi companies and foreign know-how; about 800 projects are in operation or being considered. The majority are the less sophisticated construction materials—aluminium window frames, asbestos cement pipes, plastic pipes, bricks and ceramic products. The demand for many build-

ing materials is likely to continue for some time but ultimately future imports will tend to be those requiring a high capital for a relatively small market. It is likely that capital-intensive products will continue to be imported, as will products of a high technology nature.

OMAN—Building materials are mostly imported, with Britain the main supplier. Not much industrial development has yet taken place, but asbestos cement and plastic pipes, aluminium fabrications, tiles, joinery and paint are manufactured. It is possible that legislation will be introduced as protection against competitive imports.

YEMEN ARAB REPUBLIC—Development is hampered by lack of skilled manpower and services, but infrastructure development has increased in the last year or so. Expenditure on a wide range of projects is envisaged in the areas of transport, health and education. There is very little manufacture, but cement, paint, clay tiles, bricks, aluminium doors and windows are produced. Protective tariffs will only be raised when the production of a product is sufficient to satisfy the market demand.

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN—This is a country with as yet practically no development, though a start is being made on low-cost housing. All business is directly controlled by the State through public corporations and national companies. Information on materials is of interest to the Building Construction Division of the National Company for Foreign Trade.

JORDAN. A five-year development plan comes to an end this year. Larger projects are generally handled by Koreans, Japanese and Taiwanese groups, though local contractors produced domestic housing; 20,000 homes a year will be required for the next 10 years or so. Local production of building materials is expanding, including bricks, paint, tiles, ceramic sanitary ware, galvanised pipes, plastic conduits, aluminium windows and doors, boilers, radiators, asbestos cement pipes and reinforcing bars. There is tariff protection for some products.

SYRIA—There is potential for expansion with a budget in 1979 of \$740m for infrastructure, industrial and commercial investment. Most essential construction materials are produced in Syria by State industries and imports are banned except in special circumstances when local supplies are insufficient.

IRAQ—Around £20bn is expected to be invested in infrastructure, agriculture and industry. Government organisations purchase virtually all imports, and heavy industries are operated by State companies. Banking and insurance are also controlled by the public sector. Construction development plans are extensive, including 3.3m housing units between 1981 and the year 2000. Roads, railways and hydro-electric projects are also planned. There are plans to produce and export steel, and concrete and asbestos cement pipes, blocks and bricks are already being produced. The demand for building materials is enormous, but the market is difficult to penetrate.

Jenny Tomlinson

Miss Tomlinson is the Director of the Building Materials Export Group.



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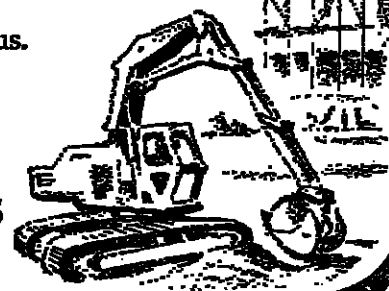
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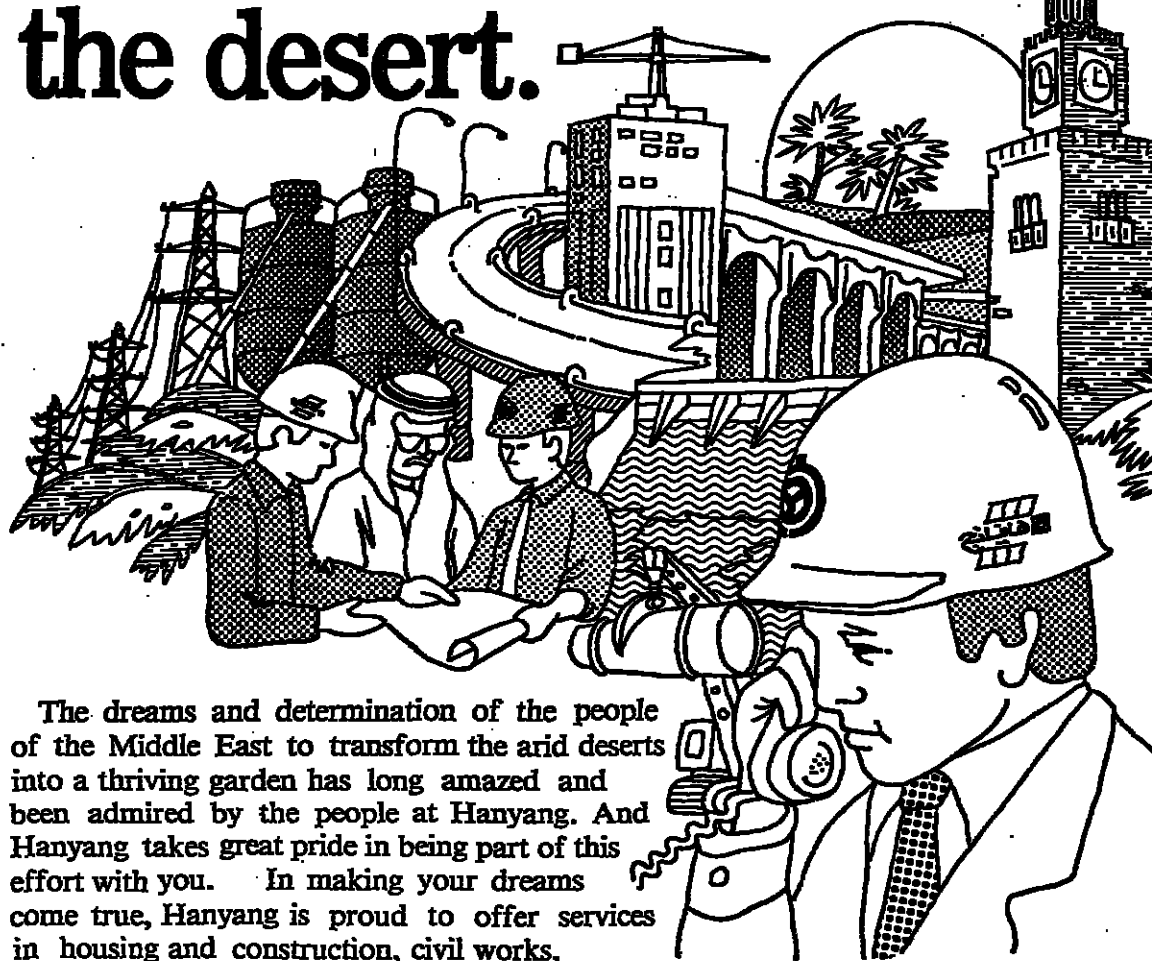
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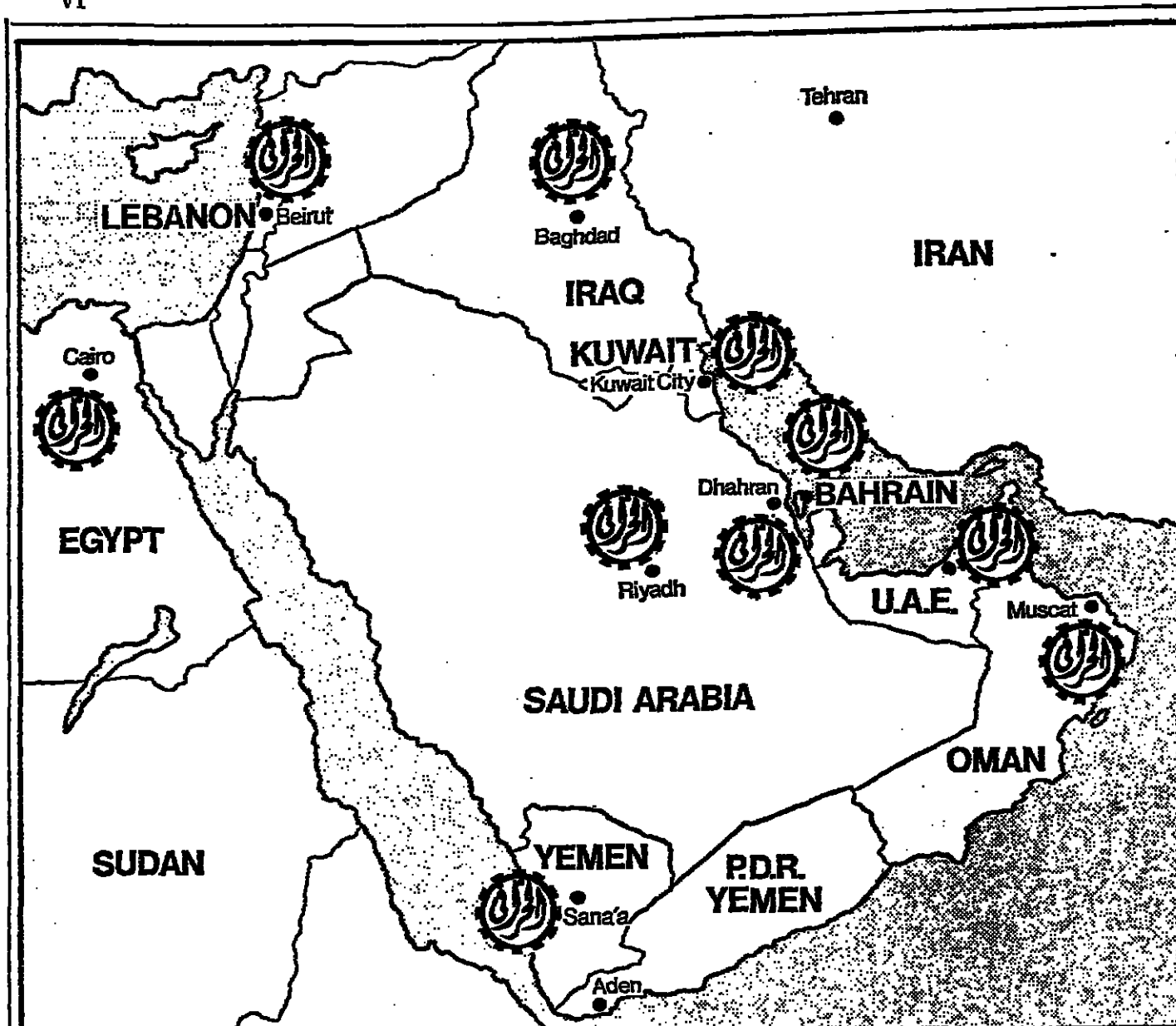
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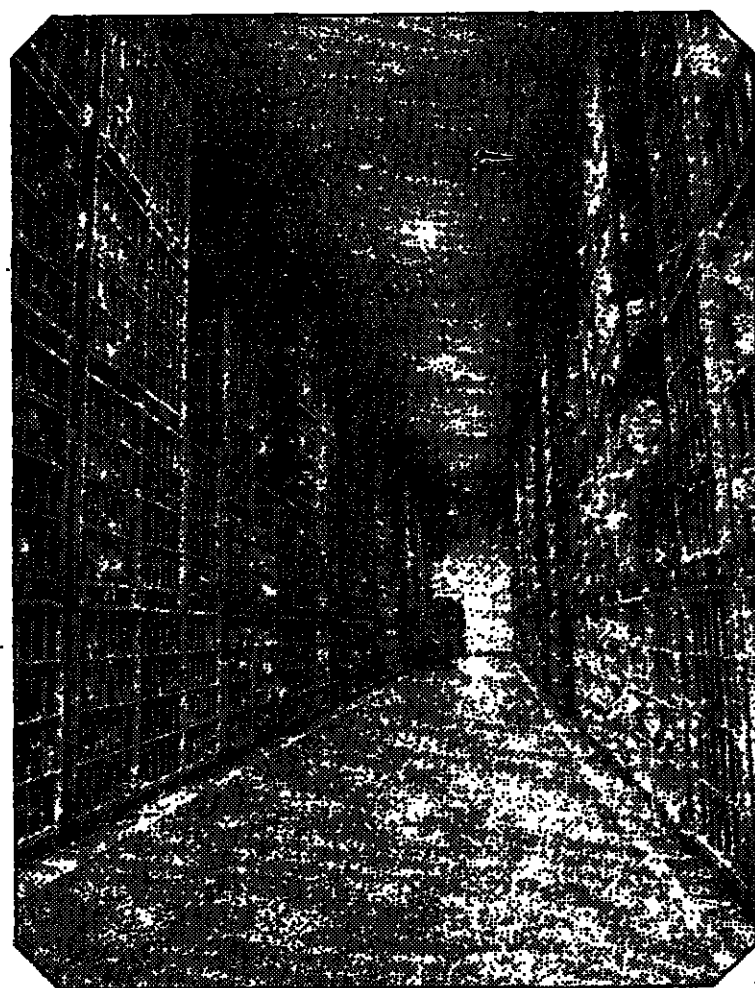
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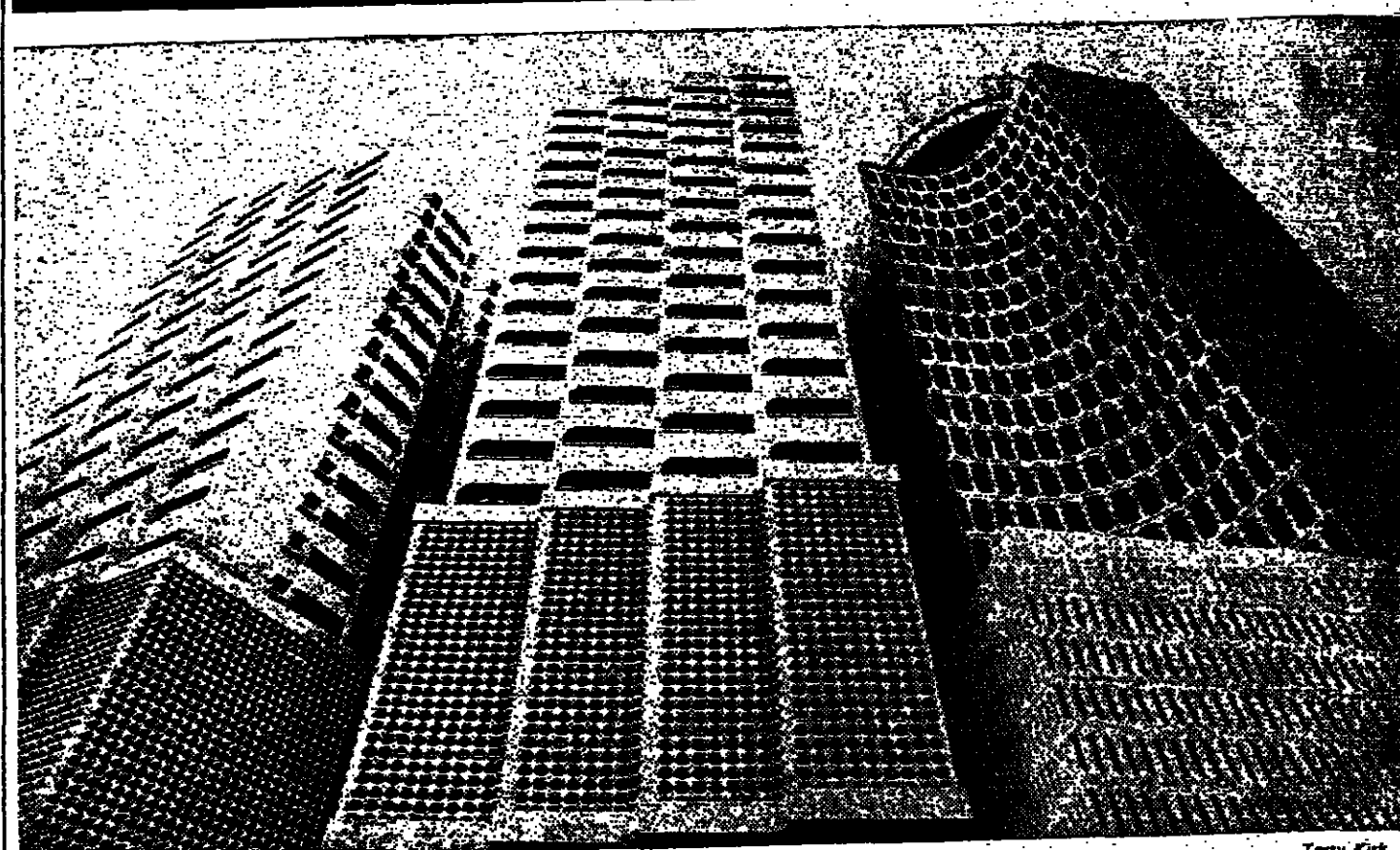
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Three new tower blocks in Al Nasr Square in the centre of Deira, Dubai. The two 22-storey blocks on the left were built for residential and commercial use by Al Naboodah Medcon Ltd for H. E. Sh. bin Ahmed Al-Thani, and on the right is the Deira Tower by Al Rashid Construction in association with M. H. Bezzola and Riefler & Guggisberg (both from Switzerland)

## Quality gains importance as tenants call the tune

AT THE height of the Gulf construction boom, buildings were designed without much thought about maintenance. Indeed, if a property developer stood to get his money back in five years or less, there was little incentive for him to spend money on better quality materials or protective coatings for the sake of long-term savings in replacements and repairs.

The use of dense hardwoods, for example, instead of cheaper softwoods in joinery could add \$3,000 to the cost of a \$150,000 house. Why bother then, when tenants at that time were forced to pay high rents for any habitable accommodation? They were in no position to complain about gaps in the woodwork.

Now rents have tumbled, giving a slower return on investment, and there is pressure on the landlord to provide better service. If he does not, the tenant can move out. Every estate agent has empty houses, flats and office space on his books. The financial importance of having a building with a long life has become critical, and the impatient profit-seekers have been made uncomfortably aware that while their own five-year-old properties are falling down, landlords who thought about maintenance from the outset have much older buildings in good condition.

For hotels, too, the climate has changed radically. In most Middle East cities the customers now have a choice, and while the absence of a top-line band or cabaret show may not necessarily drive them away, defective plumbing and air-conditioning certainly will.

Structural deterioration in modern, reinforced concrete buildings has manifested itself as soon as 10 months after completion, as in a block of Government flats in Bahrain. Lack of real knowledge among consultants of the harsh climate of the region has been blamed for the breakdown of building fabrics, besides contaminated materials and inadequate supervision on site.

The high incidence of ultra-violet light, often four times that of the temperate climates of Europe and the U.S., has led to the failure of paints and plastics used in the waterproofing of roofs. Additionally, unskilled labour has been employed to apply expensive materials whose performance has never been studied in the climate of the Arabian Peninsula.

### Temperature changes

Differences in temperature between summer and winter result in a high level of thermal movement in any structure. Mr. W. G. Phillips, head of building and civil engineering at the Gulf Technical College, puts the degree of expansion and contraction at 0.1 per cent. Great stress is imposed on a south-facing wall whose outer surface is exposed to one kW per hour per square metre of solar radiation while the inner surface is in an air-conditioned environment.

The resultant cracks can be penetrated by fine wind-blown sand containing up to 10 per cent of chlorides and sulphates which sooner or later corrode the steel reinforcement.

In the mid-seventies a team of United Nations specialists spent three years in the United Arab Emirates preparing a report on concrete deterioration for the Federal Ministry of Housing and Town Planning. The report condemned the use of cement which had lost its strength through overloading storage in poor conditions, and of aggregates with excessive amounts of silt, clay and chemical salts. Their recommendation for the use of a rubber-rich bituminous emulsion to form a waterproof membrane unaffected by

corrosive constituents was reportedly used with success by J. D. and D. M. Watson on Dubai's sewerage scheme and by contractors Bernard Smiley in the foundations of the Dubai Trade Centre.

Problems of poor concrete and of corrosion and attack from salts are not restricted to the Gulf. Iraq and Egypt have experienced them too, although Jordan seems to have fared better. Engineers working in the area believe that while attention has been focused on the quality of construction materials, at least as many defects can be traced to carelessness and bad workmanship, to which expatriate contractors, using quality-controlled materials and the best machinery and equipment are just as liable as the small local concern with fewer facilities.

Extra precautions are required, for example, when curing concrete in the heat of summer because of the too rapid loss of water. The remedy lies in saturating the concrete early enough and long enough. Some contractors have tried increasing the cement content instead but this in itself causes cracking.

### Poor workmanship

Poor workmanship and supervision are undoubtedly the main cause of deterioration in surface coatings. The first coat of paint is applied at a time when a client is anxious to use the building and the contractor to complete it so that he can receive money outstanding. So preparation of wood and metal surfaces is often inadequate, and rendered walls are allowed insufficient time to dry.

Roads are as vulnerable as buildings to attack by salts, which are brought to the sub-layers of tarmac by capillary attraction and cause rapid breakdown. Concrete kerbs crumble soonest where there is poor drainage. All roads are built with a planned maintenance requirement, including an additional thickness of surfacing as traffic increases. But remedial work is often neglected until the only alternative is a major reconstruction job. The Abu Dhabi to Al Ain highway is an example.

Up to 80 per cent of the construction cost of a building is in services such as power, water, air-conditioning and drainage. Here again there are special problems in the Middle East, and areas where the water contains 5,000 ppm of dissolved salts are a plumber's nightmare. Water like this even attacks stainless steel or copper used in an immersion heater with a dissimilar metal. The right grade of plastic is good—but contractors have been known to use lightweight electrical conduit for a mains water supply, and to place it up a wall where it is fully exposed to the sun.

Air-conditioning equipment is frequently placed on roofs where the moving parts are quickly damaged by dust and sand. In addition, most Arab States lack building regulations to enforce adequate standards of insulation, which would cut down on air-conditioning and thus on power generation costs. This has been proved in hospital buildings in Kuwait.

Planned preventive maintenance is in its infancy. The normal system, even in Government buildings, is to wait for a defect to appear and then attempt to remedy it. Even painting is not carried out regularly except in schools and hospitals.

Special hospital maintenance staff were brought into Bahrain in December 1977 to set up a preventive maintenance schedule for the island's nine hospitals—including the Sultaniyah medical centre which opened a year later—and 14 health centres.

This was an enlightened step, but despite an annual expendi-

ture of close to \$2m, excluding manpower costs, the former DHSS engineer in charge judges the programme is only getting half what it needs. Because priority must be given to services and equipment on which the buildings are seriously under-maintained.

Based on the Estate Management Code of Practice (ESTMANCODE), planned preventive maintenance goes far beyond an ordinary breakdown service. It is a cost-controlled programme which tells technicians when and where servicing has to be carried out—and can be expanded to a management information system on plant and equipment requirements.

Applied to an old building, this systematic approach shows up the lack of previous maintenance but does result in heavy costs in the first year. These should decrease subsequently.

For ordinary commercial and residential buildings, maintenance can be divided into servicing, rectification and replacement. Servicing covers regular cleaning of floors, walls and windows, and painting and decorating both as a protective and an aesthetic function. Provided the property-owner can be persuaded to allocate sufficient funds, the work presents no problems.

More and more local companies are taking on maintenance as a side line to their construction business, and a number specialise in cleaning and security services for major buildings. Lift manufacturers usually have their own service team where a number of their products are installed, and importers of air-conditioning units also offer service and repair facilities.

Replacements too are a matter of financial provision and the planning of work to cause the minimum disruption. It is in the rectification field that property-owners face both abnormally high costs and a shortage of local skills. There are few local craftsmen with the knowledge and experience to remedy design faults and defects arising through failure of materials. All too often the work is neglected until the damage is much more extensive—and costly—than it need have been; or a jobbing labourer patches up a defect without getting to the root cause, with the result that the trouble recurs within a matter of months.

One company, Cementation Middle East, specialises in injecting deep structural cracks with an epoxy resin which it claims hardens after 24 hours to become stronger than the surrounding structure. Cementation has worked in Egypt, Bahrain, Qatar and Oman, and has been based since 1977 in the U.A.E. where a spokesman foresees enough work to last several years.

Jobs undertaken include sealing cracks in Sharjah power station, the old fort which houses Dubai's museum, the Dubai clock tower, and the Dubai smelter while it was still at the construction stage. An associated company does foundation and construction work, but Cementation ME sticks to its own particular kind of "trouble-shooting" and does

not carry out other repairs. Very few companies concentrate on a comprehensive building maintenance service since this would tie up a large number of specialist staff.

Shutdown Maintenance Services (SMS), for example, which does a lot of plant maintenance for oil companies, restricts its non-industrial activities to contract cleaning of buildings.

Prominent among consultants and management companies in the Middle East property market are Cluttons, Debenham Tewson and Chinnocks, and Walker Son and Packman, while Knight Frank and Rutley were in Bahrain. In Kuwait it is more usual to find local concerns managing large properties.

Debenham's act as consultants on letting and management and as valuers and surveyors on behalf of clients throughout the Gulf, including Saudi Arabia and Oman. In Doha they are currently setting up management systems for the new seven-storey headquarters of the British Bank of the Middle East, and a 15-storey commercial building. In Bahrain they manage a number of buildings themselves, including the 18-storey Bahrain Tower which houses among others the Bank of America and the Ministry of Commerce and Agriculture.

### Service charges

They oversee repairs and cleaning done by other contractors—and have recently succeeded in persuading a few landlords of the value of preventive maintenance to protect their investment. The introduction of service charges in addition to rent goes back to 1975, but it is still an idea which all but the most enlightened, both landlords and tenants, tend to resist.

The charge is currently calculated as 10 to 15 per cent of rental income, and the landlord is legally obliged to use this money for the upkeep of the building and for cleaning, security and insurance. As rents fall, however, service charges may have to become bigger to avoid a lowering of standards. Debenham's estimate that Dubai office rents have dropped by 40 to 50 per cent over the past 12 months, flats 50 per cent and villas 10 to 20 per cent. In Bahrain the average decrease is around 40 per cent, but in Sharjah the slide took place much earlier; in Abu Dhabi rents are more stable.

Projects and Properties, which operates only in Bahrain, is one of the few agents to combine letting and management with maintenance, drawing on the 400-strong labour force of its construction division, Projects SA. The company was formed in 1977 and is now responsible for about 150 commercial and residential properties. A standing 10 per cent service charge is levied for office space, with 5 per cent for some residential accommodation.

Projects regards its maintenance activity not as a money-maker but as a service in conjunction with its letting agency and management function. Without a parallel construction business they estimate it would not be a viable proposition.

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# Clients force tough terms and reduce profit margins

WITH IRAN now beyond the pale, and out of the reckoning for the time being, the Arab world—or at least those countries in it blessed with oil—represents one of the few bright spots attracting the attention of the international construction industry. By the same criterion it is a perverse one where inherent difficulties are exacerbated by intense competition and generally narrow margins. The days of high growth experienced in the 1974-75 period are a phenomenon of the past that is unlikely to reappear. The doubling of oil revenues over the past year will not mean another explosive spending spree, especially for both clients and contractors. But the Arab oil producers are as much as ever buyers' markets where he who pays the piper, at least in the predominant public sector, also calls the tune.

In practice, this has meant no relaxation of tough terms imposed by governments in the region, in particular a rigid adherence to fixed-price contracts. Clients continue to demand unconditional guarantees and are reluctant as ever to contemplate agreeing to provisions allowing for international arbitration. Contractors not only still face the problems of covering themselves against contingent liabilities but also the increased cost of insuring against risks at a time when intense competition has tended to reduce profit expectations. Payment delays remain a hazard, with clients accepting no obligation to compensate for accumulated interest incurred as a result.

## Excess capacity

Only in one respect has there been a significant change for the better. The region no longer suffers from the kind of strains and dislocations of the kind suffered in the boom years that only noticeably began to ease towards the end of 1977. All the Arab oil states now enjoy much expanded and improved infrastructures—to the extent that some, like Saudi Arabia and the United Arab Emirates, now have an excess of port capacity.

Generally, building materials are locally available in abundance and variety. Both governments and contractors have gone a long way to overcoming

the shortage of manpower and dearth of skills. Above all, internal rates of inflation have been reduced to manageable and predictable levels.

All that has made it easier for the construction industry to live with fixed price contracts even if the variables in the Arab world can still be such as to cause greater than average concern. Arguably, buyers would benefit from speed of implementation and a better product in the long term by proceeding on a design-and-build basis which necessarily involves a cost-plus fee. It is, however, against the Arab mentality to accept anything less than a binding commitment as regards price. The general preoccupation with "inflation" only strengthened this attitude when the Arab oil states concluded about three years ago that they were being exploited. They have tended to ignore the local factors largely responsible for the comparatively high cost of projects carried out in the region.

Insistence on fixed prices is still the almost invariable rule. The one big notable exception involves the projects implemented by the Arabian American Oil Company that are carried out on a cost-plus fee basis. The U.S. Corps of Engineers has also been prepared to allow for some escalation factors in contracts that it has supervised. It was also allowed for the construction of the Arabian Ship Repair Yard in Bahrain.

Dubai, where a unique relationship between the Ruler and contractors exists, has also been flexible. But it has suffered two spectacular cost overruns for its dry dock and its aluminium smelter that other Arabs might point to as a cautionary tale about showing such indulgence to contractors.

Bonds demanded by clients remain a problem for contractors. Guarantees required to support bids can vary from 1 per cent for State contracts in Saudi Arabia to 5 per cent in Iraq. Designed to discourage unsuitable contestants, to prove good faith, and to ensure a winner does not withdraw after an award is made, they have been acknowledged as justified.

Nevertheless, the sums involved can be considerable and also onerous when awards hang fire. One example has been the delays over a decision on the University of Riyadh.

complex in Saudi Arabia for which the lowest bid was no less than \$3.4bn.

Contractors receive advances amounting to 10-20 per cent of contract value for mobilisation, with the money being repaid through pro rata deductions from progress payments. For contractors these funding arrangements, which are interest free, can be regarded as very advantageous. The fact that they have to be covered by guarantees cannot be cause for complaint in itself.

## 'Open cheques'

The misgivings arise from the unconditional nature of the bonds that have been frequently described as "open cheques" because they can be called at the whim of the client. That goes also for performance bonds covering 5 to 10 per cent. Again, no one would deny that contractors should be held responsible for the quality of their work. However, the buyer is the sole judge of performance. With little exception no allowance is made for international or independent arbitration. Where provision is granted for the settlement of disputes, it is almost always in local institutions and according to national laws.

In addition, bonds to secure the release of retention money or to guarantee warranty obligations may also be required. The time period involved is 10 years compared with the normal one-year maintenance period.

The origin of this draconian liability, ironically, is French law, originally adopted by Egypt and then subsequently by other Arab countries. Kuwait has gone even further in making a contractor responsible for the consultant's work as well as his own. Some have also been made to agree to any alteration or modification, after completion of the project, without any right of opposition, unless the obligation exceeds 15 per cent of the contract price. Algerian and Iraqi contract terms are said to be the toughest of the lot.

Arab states have moved towards acceptance of the contract formula recommended by the Federation Internationale des Ingenieurs-Consailleurs, but always amending it to their own advantage and excluding any reference to arbitration by the International Chamber of Commerce.

Not the least because of the

pained reaction of western companies to the draconian liability, Egypt is currently in the process of amending its laws so that the statutory obligation may be inapplicable in certain cases. That could be seen as reflecting the greater bargaining power of contractors in buyers' rather than sellers' markets.

Even in the latter it is possible to cite examples of flexibility. Libya, for instance, recently agreed with a West German company—which has carried out a number of large projects in the country—to provision for international arbitration in a contract. Even in competitive markets more can be achieved through negotiation and persuasion, in getting Arab states to move towards internationally accepted contract practices than the contracting industry appreciates.

It should be stressed as well that the problem relates to governments or state agencies and not the private sector. No contractor in his senses would

agree with a private client to unconditional demands nor would there be any need for him to do so.

Arbitrary and capricious calling of bonds by Arab clients has been rare. Nevertheless, apprehension about contingent liabilities and political risks have been increased by events in non-Arab Iran and the resulting uncertainty in the region of the Gulf. Since the revolution, Iran has committed a number of defaults, mostly relating to ordinary trade deals, and Britain's Export Credits Guarantees Department alone has so far paid up \$30m for political risk insurance. Like all other major western governments, the UK gives cover against the unfair calling of on-demand bonds.

In this field, political reasons overlap with economic ones and it is difficult to differentiate between them. The ECGD's comprehensive construction works policy gives a 90 per cent cover with premiums of 1-3 per cent depending on the period of ex-

posure and the country involved. Currently the ECGD is underwriting nearly 100 contracts in the Arab world with a total value of \$500m and a bond value of \$90m. The amount of potential claims is about double what it was about a year ago.

For a contractor it is a question of choosing the whole ECGD package or nothing. According to the extent of the coverage judged necessary, it can be cheaper to insure through the commercial market with a policy more finely tuned to a company's requirements. Over the past eight years or so, Lloyds, the American Insurance Group and other insurance companies have developed a broad range of policies to cover political risk.

## Firm provisions

Yet there is a limit to what the business can do to satisfy Arab bond requirements. One reason is that the insurance business looks askance at un-

conditional guarantees and wants firm provision for fair arbitration. For their part, Arab clients are unfamiliar with the insurance business. They do not appreciate the system whereby an insurance company stands surety for a contractor, undertakes to cover actual losses suffered by a buyer and takes responsibility for completing projects. They prefer instruments that they understand and can be easily liquidated.

Consequently, the banks have been responsible for all but a small part of the business of issuing guarantees or, in the case of U.S. companies, standing letters of credit, while insurance companies have been confined to providing cover against the unfair calling of bonds.

Overall, charges made by banks are very much cheaper than equivalent coverage through the issue of bonds by the insurance industry would be. With the growth of the market and the involvement in

it of many more banks, rates have fallen to a dangerously low level in view of the inherent risks. Compared with a rate of 1-1.5 per cent they have fallen to 0.5-1.0 per cent. Because of competition, most operators do not even require cash security deposits as a backing for their commitments on behalf of contractors.

Doubts have been expressed about the expertise and knowledge of the industry of many of the banks now active in the field. At the same time there has been a trend towards syndicating guarantees. They can be so large that they exceed the amount which a customer is prepared to receive from a bank or, in turn, any one bank is prepared to give.

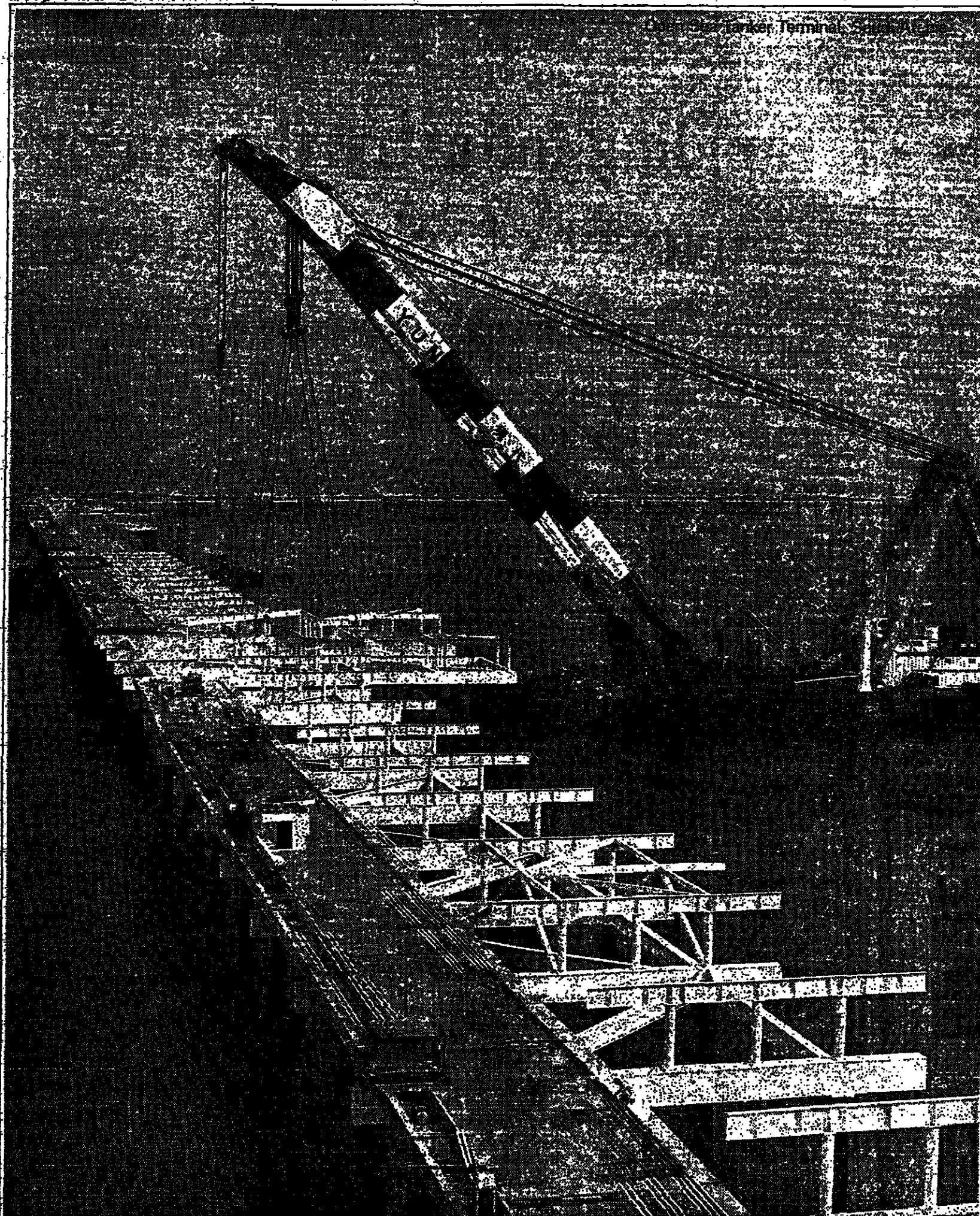
Sums involved are frighteningly large in absolute terms and in relation to the assets of many contractors. The total of contingent liabilities remains uncomfortably large.

Richard Johns



Terry Kirk

The smelter for the Dubai Aluminium Company at Jebel Ali is almost complete. Several British companies are involved in this major project which has British Smelter Constructors as the main contractor. Others include Wimpey, Costain International, Hawker Siddley and Weir Westgarth. International sub-contractors include Ferrostaal, Klockner Humboldt and Riedhammer of Germany. The smelter will produce 135,000 tonnes a year when in full commission in a few months' time



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## Emirates generate fierce competition

THE UNITED ARAB EMIRATES (UAE) once epitomised the boom market for international contractors. Abu Dhabi, its capital, was a late developer compared with other nearby states such as Kuwait, and when the oil prices began to spiral after 1973, it wanted everything from multi-berth ports to airports, roads and gas liquefaction plants.

Up the road in Dubai, the under way in the UAE, much to gaged on building the world's largest dry dock, a massive aluminium smelter and a port large enough to be dubbed the Rotterdam of the Gulf.

That was all three years ago, and the influx of contractors market, but a tough one. The has now turned into an exodus at least from the northern Emirates. Now in Dubai, architects, quantity surveyors and consultants are quietly leaving, their departures marked only by unanswered telephones, and frequently with large amounts of money still owed to them, many are still hanging on, a number of them still waiting to be paid for past work done, others turning their UAE offices into Middle Eastern operations, and many more planning their entrances to the one market in the UAE which is exhibiting very healthy signs of life—Abu Dhabi.

Despite the fact that much of the decision making is now being done in Dubai since its ruler, Sheikh Rashid, took over as Prime Minister last summer, Abu Dhabi is still the seat of power for one reason—it is the largest oil producer and thus the main financial provider to the Federation.

Federal Government contracts still have to go through the gamut of thousands of bureaucrats who make up the federal system and the Permanent Projects Committee, a special formed body which vets all projects and contracts, which Western diplomats view as Abu Dhabi's method of ensuring that the Emirate does not become overcharged in its development programmes. Indeed, it has been singularly successful in this, for Abu Dhabi is believed to have secured the cheapest construction costs in the Gulf.

Such an achievement has not been without some heartburn to local and international contractors. The boom period has left Abu Dhabi with hundreds of contracting companies vying for work—often just to stay in business. Added to that, the Koreans have now turned their attention to the UAE with the usual dogged determination which marks their entry to a market.

Hyundai, one of the largest South Korean contractors, has

some half a dozen contracts underway in the UAE, much to the disgruntlement of the local companies who cannot match its prices, and also to the local merchants who grumble that the Korean presence generates no commercial spin-offs.

Abu Dhabi is a steady market, but a tough one. The score so far British contractors represented in the capital are up against not only competition from Germans, Dutch, French and the local Lebanese and Palestinian companies, but more recently the Yugoslavs, Greeks and Turks have been attempting to get a slice of the action, often backed by high ranking trade delegations and bidding at low prices just to secure a foothold.

### Government's heyday

With so many companies flustering around the homeport, the Federal Government departments have a heyday of playing one bid against another. On a recent pipeline project from Abu Dhabi to Al Ain, some 183 companies picked up the tender documents and there were some 60 bids at the end. What happens usually is that officials will pick the cheapest five, and then either open again for rebidding, or negotiate the bid they want down to the lowest price offered. Competition is such in Abu Dhabi that often contractors will put in a higher bid bond than is necessary, merely to disguise the true amount of their bid.

Many of the local banks also employ clerks whose job it is to find out the amounts in other competing offers. Another technique frequently used by contractors to maintain secrecy over bids is to submit their offers half an hour before they are due to be opened.

The net result of all this competitive frenzy is that a successful tenderer who has a bid accepted and then renegotiated ends up wondering if he really wants the work. Frequently the difference between the original offer and the final price after re-bidding and renegotiating has gone on, can be as much as 10 to 15 per cent. One British company whose tender had been subject to re-bidding and then renegotiation, decided that after all the price was just so low as to make their involvement in the project not feasible economically, and they chose to opt out. As one Western diplomat concluded: "You could say that Abu Dhabi's development programme is being subsidised by Western contractors."

The private sector in Abu Dhabi, like the rest of the

emirates, has taken a considerable beating when the property crisis became evident in 1977. Abu Dhabi is still devising means of filling the existing apartment blocks in the city and until such time, a ban on office and residential buildings has been enforced by the municipality. However, villa building is still going on in the town, financed by local banks, and overall, the property market in Abu Dhabi is less disastrous than in other parts of the UAE. Western contractors have been finding small, but lucrative work building palaces and office complexes for some of the leading personalities in the Emirate, to whom the ban on new construction appears not to apply.

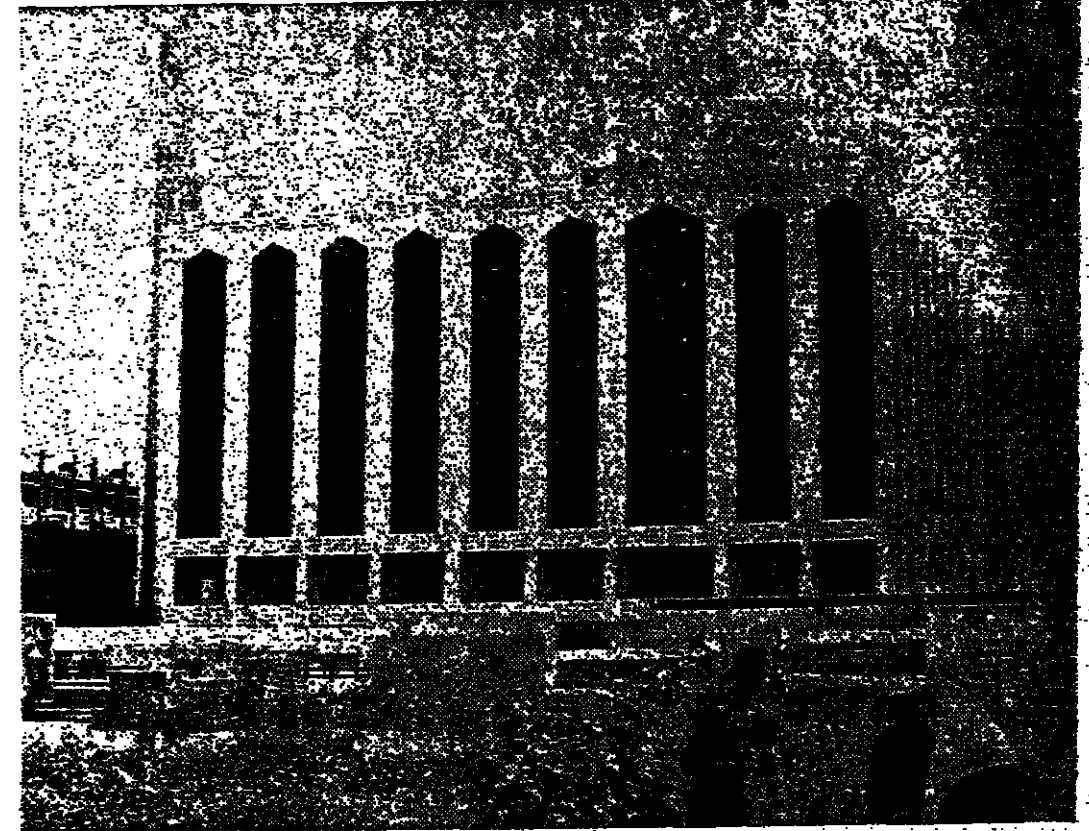
Federal spending is also likely to experience a boost in 1980 and the draft budget for the year from Sheikh Rashid indicates a considerable rise in new capital investments, whereas the last three years' budgets have all been marked by an absence of new projects and a continuation of existing ones. The Prime Minister now appears to be pushing for an expansion in the economy, and the budget is expected to rise from Dhs 9.7bn (\$2.5bn) last year to Dhs 11.25bn (\$3bn) this year. A great deal of this can be expected to be channelled to the northern Emirates.

But the bonanza for the next few years for international contractors will of course be provided by the burgeoning giant of the Abu Dhabi National Oil Company (ADNOC), which is engaged in projects estimated at \$7bn.

In awarding chunks of the work, ADNOC has attempted to spread the contracts to competing nations to ensure that no country is endowed with more than any other. It has also hesitated to take advantage of contractors' mobilisation in the Ruweis area (where most of the development is taking place), and has preferred to award work to differing companies in Abu Dhabi to avoid the dangers of companies becoming over-extended and failing to perform.

Foreign contractors working for ADNOC are full of grumbles about the institution, but usually in the end concede that it is a fair and good client to work for, and one which at least pays promptly. Getting in on their pre-qualification lists can be difficult, but once you are in the right official's office, then he is willing to listen to your sales pitch, say local contractors.

But have one dispute with ADNOC and the company will



The Delta Bazaar and Gold Souk in Dubai under construction by Galadari

find itself blacklisted from any future work, even as a subcontractor. One British company which was delayed on one project owing to ADNOC's own delays in providing on-site materials was forced to swallow a lower rate of compensation than was asked, merely to keep in ADNOC's good books and ensure future work. "It works," said the company's manager. "Two days after we settled the dispute, we were awarded another contract."

### Blacklisted

British companies have secured their market share of ADNOC's development programmes. In the gas projects at Ruweis some 25 per cent of the work has gone to British companies, on the oil refineries, only 2.1 per cent, and on the offshore oil field projects the major part of the work has gone to French companies. This is primarily because of the involvement of the Compagnie Française des Pétroles, CFP, and the French branch of Foster Wheeler and Ameron Serete are the managing consultants on the Zakum projects, which has generated a considerable supply of contracts for French companies.

Apart from the ADNOC projects in Abu Dhabi, the UAE defence force is likely to become an increasing source of work for local construction companies. Some \$250m has been earmarked for defence spending, and a large part of that will be in infrastructure, mainly in Abu Dhabi, say local sources. The Government is also expected to embark on the construction of a number of prestigious office blocks for various Ministries, and a trade centre is on the cards, all of which will provide opportunities to Western contractors to demonstrate their international skills.

In the northern Emirates, the picture is not as rosy. Indeed most of the companies already operating in the area are scrambling to find themselves Abu Dhabi sponsors to enter the Abu Dhabi market (A Dubayan sponsor, no matter how prominent he may be, does not necessarily guarantee you the right to work in Abu Dhabi as many companies have found). In Dubai, since the commercially minded ruler, Sheikh Rashid, began selling his oil on the spot market, a number of contractors have had their long standing bills paid, but despite there being more money in the kitty, it is as yet unlikely that

the oil houses will be translated into new development or industrial projects of the magnitude of three years ago.

Much of the major work such as the dry dock, the smelter and all the work at Jebel Ali is now either finished or nearing completion, and no new major projects are on the drawing board.

Further north the scene gets even gloomier, with many contractors not only hungry for work, but still awaiting payment on work done a year or more ago. In Sharjah, particularly, the Government has been tardy in paying its contractors, and now local business circles would advise any company offered work in the Emirate to build the interest on payment into any bids.

Most of the reputable foreign companies would hesitate to accept work there, and this can be evidenced by the number of local and Gulf contractors who have been taking on the work. As one consultant put it: "If you are a newcomer to the area, don't come to the northern Emirates. Or to be more precise, only foolish virgins would try to enter the UAE market at the moment."

Kathy Bishtawi

## Building industry the major employer of migrant labour

THE CONSTRUCTION sector is the major employer of migrant labour in the region. In the 1970s, jobs on construction sites abounded as development in the oil rich states proceeded. Any able-bodied man could find work in the hectic days of development, when manpower bottlenecks were the constraint to development. But as time passed and development matured, unexpected patterns began to emerge.

In 1975 there were about 1.6m migrant workers in the capital rich states of Saudi Arabia, Libya, United Arab Emirates (UAE), Kuwait, Qatar and Bahrain. About 26 per cent worked on construction sites. Three quarters of these were Arabs and the remainder came from the Indian sub-continent or the Far East.

Even by 1975, the ethnic composition of migrants was changing rapidly. Table 1 shows that for the four states shown, Arab migrants accounted for some 51 per cent of the total in 1970. By 1975 this proportion had fallen to 42 per cent, while Asian migrants had increased their share from 26 per cent to 46 per cent.

These figures reflect an underlying change in the migrant labour market, which is progressively swinging away from Arab labour towards Asian and Far Eastern labour.

### Clear reasons

Table 2 shows exactly how far this trend will have progressed by 1985. Out of a total of some 3m migrants, 1.7m will be Asians or Far Easterners.

The reasons for this transformation are clear. Just as the supply of Arab labour is drying up, so the propensity of Asian and Far Eastern countries to export labour of the right kind and in the right way has grown. The growing size of projects and contracts has tended to favour better organised and financed companies from countries like Korea.

Moreover, the propensity of Asian and Far Eastern companies to provide a skilled workforce of single men has made them highly attractive to Peninsula states for political and social as well as for economic reasons.

TABLE 1  
MIGRANT WORKERS IN KUWAIT, BAHRAIN, QATAR AND UNITED ARAB EMIRATES BY ETHNIC COMPOSITION IN 1970 AND 1975

Ethnic origin	1970		1975	
	No.	%	No.	%
Arab	165,900	51.0	226,400	41.7
Asian	83,900	25.3	247,700	45.7
Iranian, European and other	75,300	23.2	68,400	12.6
Total	325,100	100.0	542,500	100.0

Source: Birks, J. S. and Sinclair, C. A., International Migration and Development in the Arab Region (Geneva, ILO, 1980).

TABLE 2  
MIGRANT WORKERS BY NATIONALITY IN THE CAPITAL-RICH STATES, 1975 AND 1985

Migrant workers	1975		1985	
	Total	%	Total	%
of which Arabs	1,236,600	76.0	1,236,600	40.5
Asians	277,500	16.8	500,000	16.3
Far Easterners	14,600	0.9	1,179,400	38.6
Iranians	86,100	5.2	70,000	2.3
Europeans and Americans	34,200	2.1	70,000	2.3

Source: Birks, J. S. and Sinclair, C. A., Arab Manpower: The Crisis of Development (London, Croom Helm, 1980), table 20.7.

The wealth and prosperity of the capital rich states tends to deflect attention away from the capital poor Arab states. The sudden surge of remittances from migrant workers has triggered off a construction boom contemporaneously with that of their more affluent neighbours. But there has been a lack of the requisite manpower to effect construction projects, since the departed migrants tended to be those with these skills.

The effect of sudden growth of the money supply together with shortage of labour in countries such as Egypt, Jordan, Syria, North and South Yemen, and Sudan has been spiralling inflation. The price of land and housing has risen incredibly. Ironically, just at the time when foreign exchange constraints were eased for these poor countries by much higher levels of remittances, so also did the oil rich states become more generous with their aid payments.

This created a paradoxical combination of poverty and

affluence: desperately needing to develop infrastructure, these poor countries were unable to execute projects for which finance was assured because of labour shortages. Perhaps predictably, but certainly surprisingly, these capital poor states began themselves to use Asian and Far Eastern companies for particular development projects. It is extremely difficult to argue convincingly that the poor Arab states have gained much from their participation in the economic development of the oil rich states. The supposed benefits of remittances prove to be instead a cause of inflation, which is exacerbated by the shortage of labour.

The selectivity of international migration ensures that those more able and more skilled leave first. Inevitably those left behind are unskilled and less competent than their colleagues abroad.

This lack of skilled manpower and the poorer quality of the remaining workforce compromises domestic economic de-

velopment. Financial compensation is particularly inadequate since foreign exchange and finance are not the scarce factors of production.

The final twist to the plight of the capital poor states is the likelihood of the return of many of their migrant construction workers, as their Asian competitors ease them out of the market. So at once remittances will fall and labour will suddenly be in surplus supply again. However, in the intervening decade little development will have occurred, and managing the labour market will be more difficult.

The question which large contractors and governments in the capital-rich states must ask themselves is how permanent the development is that is presently underway. If large enclave developments are constructed at Yanbu, Jubail, Ruweis, Umm Said, Jebel Ali and Shuaiba by Far Eastern labour and if industrial enterprises are manned entirely by expatriates who live as single men in work camps, then is the result development, or temporary growth?

As industrial development proceeds on the present lines, the possibility that indigenous citizens feel estranged from modern economic development must grow. The legacy of past development in terms of the demographic composition of the population has yet to be fully experienced. The process of settling, as single men become families of four (as they certainly will do over time) is bound to increase the sense of isolation among nationals, already in a small minority.

The translation of a general feeling of resentment against expatriates into political action brings into question every aspect of modern development. However, there is little which can be done at this stage to change the path of development.

Stace Birks and Clive Sinclair

Dr. Birks and Dr. Sinclair are at the Department of Economics, Durham University. They specialise in various aspects of Human Resources Development in the Arab world.

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## ARAB CONSTRUCTION IX

## Saudi market is world's largest for export contractors

SAUDI ARABIA is perhaps the most important market for the past five years building has been the major preoccupation of the Government and of a majority of the merchant class and the labour force. With a value of up to \$200m last year, the construction market in Saudi Arabia is almost certainly the largest in the world for export contractors. Yet they are gloomy about prospects in the future and planners in the Government insist that growth will fall off.

A good portion of the planning attitude is wishful thinking. For the period of the Second Five-year development plan, Government spending on infrastructure projects was the predominant mover of the economy. Manufacturing capacity installed so far has been primarily for construction support.

In the Third Plan, which will be published in the spring, the Government is committed to developing productive sectors where double-figure annual increases in GDP will not, as in the Second Plan, be a function of a rapidly expanding workforce but of its increasing productivity. Among the strategies approved for the plan is a static foreign labour force, with a marked shift from construction skills to clerical and administrative ability.

Construction companies in the kingdom are watching the Government even more closely than usual. This is not simply because the Government accounts for up to 30 per cent of the market through fixed-price awards: in what is still a primitive economy, the higher the level of budget expenditure, the greater the economic activity of all types. Unfortunately, there are two contradictory impulses in the Government's attitude and the plan, when it is published, will not fully reflect this. The first is that the domestic construction market has been the major

channel for the transfer of wealth from the Throne to the private sector, which is everybody else. This has been the case for a very long time, but particularly since the reforms of the late 1950s when Prince Faisal and Anwar Ali of the Saudi Arabian Monetary Agency encouraged land grants as an alternative to unstoppered civil lists.

This transfer of wealth happens in a variety of ways: from the simple award of a contract to a Saudi builder or joint venture, through the dim world of speculative compensation and commissions down to the services the merchants provide foreign workers and construction firms. Even more directly, the Government has made available SR 35bn (\$9.5bn) in interest-free mortgages from the Real Estate Development Fund to those who have received land or, in a case of many bedouin, have obtained title by squatting.

## Speedier land grants

That the Government is not yet entirely willing to dispense with such direct transfer was shown soon after the siege of the Great Mosque in Mecca and tensions in the eastern province in December. Municipalities were instructed to speed up grants of land for poor Saudis to build houses; earlier King Khalid had issued an instruction that a very large backlog of compensation payments—of the order of SR 6bn—be cleared. In Jeddah, well over SR 1bn is owed by the city, and its disbursement is eagerly awaited by the local building industry.

In Jeddah, for the past year, around 30,000 new flats and a 2,000-flat public housing project have stood empty while rents (for four rooms) have dropped from about SR 40,000 to SR 25,000. For several businessmen in Jeddah, rents are now so low that property and house building are no longer seen as profitable. Even so, many landlords have held their properties

empty against the hope that the Government would raise spending to bring in more foreign companies.

Yet the Planning Minister, Sheikh Hisham Nasser, and the Finance Minister, Sheikh Muhammad Asa al-Khail, insist that this will not happen. The goal for spending over the next five years has been approved and Crown Prince Fahd has implied that it will not be raised because of the winter's domestic tensions. The figure quoted by officials of SR 830bn in 1979 prices looks large against the SR 405bn of the 1975 plan; against the total spending of over \$800bn in the last five years, it means no real increase even on official estimates of inflation.



Saudi Arabia offers big opportunities for desalination and water development. This desalination plant at Jeddah produces 38,000m cubic metres of water daily. The civil sub-consultant was Sir William Halcrow and Partners. Eubank and Partners were consulting engineers.

The first three years of the Second Plan saw exceptional increases in public spending, but it was not until 1977 that budgeted and actual expenditure came into line. At the time, the constraints were simply the ability of the Government to define projects and award contracts and of contractors to bring in materials and labour. In an atmosphere of urgency and low competition, construction costs could vary from SR 3,000 per square metre of housing to SR 7,000. Tendering was sloppy and the urgency such that bidders lists, even from the U.S. Army Corps of Engineers at the Defence Ministry, might comprise only two or three names.

As the physical or bureaucratic constraints were cleared, spending on construction got quite out of hand. Mr. William C. Grindley, a senior American planner working with the Planning Ministry, said in Houston in December: "In the last two years, the commitments made by the Government for physical infrastructure have been so large as to outstrip the current income of the Kingdom."

Alarmed at such a rapid excursion into deficit financing, the Government has now imposed a 20 per cent cut in new work. The cost deflation in basic construction has been remarkable. According to Mr. George Gray, a former Corps district engineer now consulting with Korean companies, apartment schemes now go out for as little as SR 2,000 per square metre against as much as SR 7,000 four years ago. A recent award for prefabricated schools in the country went for SR 1,300 per square metre. "Obviously, at that last price, competent contractors will refuse to bid," he said in indication that even Korean firms can bid no lower.

Second, the slowdown in new awards coincided with a great increase in competition for orders. The actual cost-consciousness of most Government clients has been doubted; but certainly the new curbs on spending meant that clients were starting with a low bidder and then negotiating down.

Korean firms thus picked up more than \$3.4bn in Government orders in 1978, considerably ahead of any other country. At the same time, the need to finance ongoing work through new advance payments (usually 20 per cent in the case of the Government) has made the competition for new work cut-throat.

The cost deflation in basic construction has been remarkable. According to Mr. George Gray, a former Corps district engineer now consulting with Korean companies, apartment schemes now go out for as little as SR 2,000 per square metre against as much as SR 7,000 four years ago. A recent award for prefabricated schools in the country went for SR 1,300 per square metre. "Obviously, at that last price, competent contractors will refuse to bid," he said in indication that even Korean firms can bid no lower.

## New toughness

Third, the Government clients are less and less willing to permit extras on contracts or allow renegotiation. This has meant that contractors who have been willing to "loss-lead" on a first contract in the hope of extras and a second phase have found these have not materialised. This is particularly serious for those companies that saddled themselves with a large commission payment on a first fixed-price contract in the mid-1970s; the leader of the Eurosystem Hospitalier consortium, which filed for bankruptcy in Brussels in the summer, is one major example. The Ministry of Communications even called a 10 per cent performance bond (against a Swiss company) while perfectly justified, the action seemed symptomatic of a new toughness.

At the same time, contractors from countries outside the dollar bloc have found it no easier to protect themselves against the declining value of the dollar and the Saudi riyal. After revaluing the riyal against the dollar reserves diminishing faster than necessary as contractors exchanged appreciating riyal contracts.

Since then, SAMA has been keen to keep the riyal low while Ministries have been less willing to renegotiate exchange losses. In November, the Finance Ministry ordered that

contracts over SR 300m to foreign firms be paid in dollars, not riyals; but this move was designed to curb the rapid loss of market liquidity to deposits abroad and non-dollar contractors will be no better off. It has yet to be seen whether Ministries will still pay in Swiss Francs or Deutschmarks, but contractors from these countries are not hopeful.

The curb on spending has also had its effect on private construction. Overcapacity in hotel space in the eastern province, and in Riyadh and Jeddah, has been reached earlier than expected. The tendency of Saudi businessmen not to think anti-cyclically—a failure most remarked on by the merchants themselves—will probably mean that hospitals in Jeddah, supermarkets and this year's "fad," integrated shopping centres, will go the same way. These will be poor prospects until at least 1982 unless, of course, spending is freed.

With revenue vastly increased this year because of the oil price rises (an official estimate is \$80bn) and inflation at around 10 per cent in the eastern province, Aramco survey and much less according to the Government, it would seem that the planners could afford to stimulate the economy through construction.

On the contrary, officials argue. The increased revenue will disappear the way of the 1974 balance of payments surplus (\$24bn) if "fiscal discipline" is not introduced. "Expenditure on construction in the Third Plan in current prices is not likely to exceed expenditure in the last five years," Mr. Grindley said. An independent survey produced by Plantecon (Overseas) Research suggested that spending on private and public buildings would peak at \$24bn this year, then decline by 15 per cent over the next two years. This will inevitably leave surplus capacity in materials, precasting and stressing plants and heavy equipment.

As an indication of Government thinking, Mr. Grindley said that certain prestige projects now at the design or bidding stage had a less than total chance of being built and there would be a shift toward renovation, as the Finance Ministry has done with its own Riyadh headquarters, and maintenance.

## Rather different

Reality will probably be somewhat different. Although Aba Al-Khail has said that the bulk of the State's commitments to infrastructure is now in hand, major work in defence construction, at the airports, in telecommunications, at the industrial cities of Jubail and Yanbu and in municipal services outside the major towns has yet to get started. Meanwhile, the deterioration of the international balance and the shock of domestic disorder have suggested several new projects, which are now under active discussion within the Government.

A shortlist of these projects would include: the long-discussed Bahrain Causeway; major investment in the National Guard; a "defeat programme" in the oilfields; looping of the East-West pipeline and a new pipeline to Oman and far greater concentration on the countryside. Meanwhile, Aramco has started on a vast programme of pressure maintenance and crude desalination in the Ghawar, Safaniya and Berri oilfield which will not be reflected in the budget. Just as the Government's decision to cut facility capacity targets in 1977 caused a slump in the eastern province construction market, so the oilfield improvement and the development of fields in the Empty Quarter will generate considerable work right into the next century. Aramco is now experimenting with fixed-price contracts on large work.

The persistent problem of water shortages must also be tackled and there will be large construction opportunities in desalination and groundwater development. The large-scale construction market is probably saturated. With any number up to 50 names on a bid list, successful companies will be those who have gained the trust of clients and possess powerful Saudi sponsors. But most contractors are aware that the payment of commissions risks becoming an internal political issue and a firm was blacklisted for a short time in the summer.

American firms still complain bitterly about the burden of taxation, ethics and boycott legislation they must operate under: the decline in market share from 9 per cent of Saudi civil construction to 3 per cent in the course of the Second Plan will not easily be reversed. British companies have maintained only a wavering hold on the market, and two small firms went bankrupt in 1978 when spending was slowed. But the liberal taxation allowance has meant that Saudi and U.S. firms are increasingly employing British managers in the Kingdom, and this has necessarily helped British exports related to construction.

James Buchan



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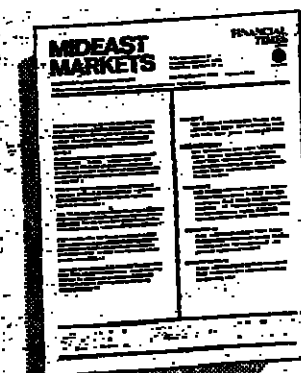
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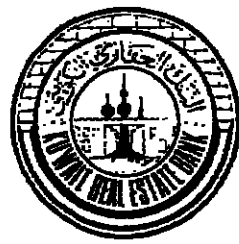
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The huge Alba smelter complex at Sitra, Bahrain, produces 130,000 tonnes of aluminium a year. The Government is to fund a \$120m expansion programme over the next two years to raise capacity by 50,000 tonnes. Contracts have so far been awarded to two British companies, Ewbank Partners and John Brown Engineering.

## Competition for contracts in Bahrain grows tougher

WITHIN WALKING distance of the Bahrain Hilton, a visitor to Manama can see under construction three major hotels, a "palace of justice" to house the Law Courts and the Ministry of Justice and Islamic Affairs, a new main branch for Chartered Bank, several office blocks and the beginnings of a multi-storey commercial and shopping centre.

Further out of town, building projects include a \$10m sports stadium, a new headquarters for Bahrain Telephones, an ornate furniture showroom, government housing sites in seven or eight different areas, and dozens of private residential developments ranging from modest villas to mini-palaces.

So where, one asks, is the much-discussed recession? Bahrain is after all a very small place, with an area of 255 square miles and a population of about 350,000. Its oil production is declining and its revenues are meagre by Gulf

standards. The level of construction activity would seem to be at least commensurate with its size and wealth.

The trouble is that in Bahrain, as in the United Arab Emirates (UAE), everyone jumped on the construction bandwagon. International consultants, designers and contractors gathered like bees around a honeypot. Profit margins in 1975-79 were said to be three times higher than in Britain, for example, where the construction industry was struggling through its leanest years since the 1930s.

### Fastest-growing

For companies like Taylor Woodrow, Costain, Laing and Wimpey, the Middle East was their fastest-growing market. At the same time, every local businessman with an eye to a quick profit set himself up in the property developing or contracting business. The sheer volume of work between 1974

and 1976 meant that there were enough contracts to suit the financial capacity and expertise of smaller local enterprises.

Now sanity has returned. Office and apartment blocks no longer pay off in three to five years, and banks scrutinise project proposals much more closely. Lending to the construction sector has yet to show a marked fall, but this reflects the number of projects still to repay their investment rather than many new loans.

Under these changed conditions there are more construction companies in the market than the economy can reasonably support. A number of foreign contractors, such as Comstock, have packed up and gone home. A joint-venture system-housing manufacturer, Tarmac-Nass, has ceased operations. And one or two undercapitalised, or poorly managed, local companies have gone to the wall.

But although a large number of public projects such as the Mina Salman development, the container terminal and the Sulmaniya Medical Centre have been completed, work on power, water and sewerage projects will continue for years. Government spending was strictly controlled in the 1978-79 budget, but Mr. Ibrahim Abdel-Karim, the Minister of Finance, has declared his intention of re-activating the economy with the allocation of \$1.3bn to social, industrial and infrastructure projects over the next two years.

This sum includes the \$120m expansion for Alba, Bahrain's aluminium smelter. Incremental capacity will boost Alba's metal output to 170,000 tonnes per year by 1982, making the best use of the available plant at the most economic cost.

Ewbank and Partners of the UK have been appointed to manage the power station side of the project, with contracts for the gas-turbine generators going to John Brown Engineering of Clydebank. An American company, Kaiser Engineers, has won the management contract for the petrochemical construction, and the rest of the work is now at the tendering stage. The Bahrain Government has directed Alba to parcel it out in as many small contracts as possible, to allow local companies to compete.

### Joint venture

Just as this industrial project comes to an end, the \$350m petrochemical plant, to be established as a joint venture between Bahrain and Kuwait, is due to begin. Plans are for a twin complex to produce ammonia and methanol, using the residue gas from the liquefied petroleum gas plant completed for Banagas last month.

Main contractor for the LPG plant was Japansan Corporation, but although the major sub-contractor was Daewoo of South Korea, site preparation and other civil work was carried out by local companies.

Another industrial project on the distant horizon is an aluminium rolling mill, envisaged as a joint venture with Saudi Arabia. The Gulf Organisation for Industrial Consulting has just completed a feasibility study on the basis of 40,000 tonnes a year, but this, like the

billion-dollar Saudi Bahrain causeway and the projected new town for 60,000 people, is in the category of "jam tomorrow."

However, the causeway is coming closer. Tender documents were finally issued on November 28, to 21 of the 22 shortlisted contracting groups. No explanation was offered for the decision not to invite Hyundai. Indeed, no explanation was called for, since the list of pre-qualified bidders was never officially published.

Only one Bahraini company is in the running, grouped with Bin Laden of Saudi Arabia, a Japanese and two German companies. But dozens more are hoping for some of the spin-offs, either in road construction, building a labour camp for an estimated 5,000 temporary workers, or sub-contracts on the causeway itself.

### Alternatives

Bids are due in at the end of May, but with each of the 20 contenders having the option to submit an alternative design to the all-steel bridge work proposed by Saudi-Danish consultants, the forecast period of three months for evaluation looks optimistic if work actually starts in early 1981 and construction industry pundits will be pleasantly surprised.

Work on the new town near the West Coast is scheduled to start in 1982, and to last seven or eight years. It is intended to make available plots of land, on which borrowers from the newly-established Housing Bank can build their own homes to approved designs. Together with the Government-built houses and flats, there is provision for 15,000 new homes.

Isa Town, Bahrain's first new town which was launched in 1963, will have reached its planned development limits of 7,000 houses for about 35,000 people by the end of 1981. And the Ministry of Housing's three-year programme to that date, representing an investment of about \$280m, will have provided a total of 2,000 homes and home loans.

An Indian company, Transcontinental Constructors, has just completed the prestige Chamber of Commerce building, and French, British and Korean companies are involved in the five-star hotel projects (the Regency, the Sheraton and the Diplomat). But when it comes to low-cost housing — which is not allowed by European standards, at a minimum \$25,000 for a home in an apartment block — the major force is Bahrain's United Building Factories (UBF).

Although the ownership is entirely local, including a 60 per cent Government stake after the company faced cash-flow problems in its first year of production, UBF adopted the French Camus industrialised building system, and retained a British company, Gasthaid, for the design, construction and management of the project. The connection with Gasthaid, a member of the Selection Trust group, was severed in April, 1978 by mutual consent, and UBF set up its own management team.

UBF won its first contract for 514 Government houses at Isa

town in 1977, and has been working steadily ever since. Current production of precast concrete panels is 50,000 a year, and the 1979 workload comprises about 500 houses and 300 flats, at three sites in Isa town. Work has started on another 140 flats in Muharraq, for completion in nine months.

This is still some way below the factory's designed production capacity of 2,000 housing units a year, but further substantial Government contracts are expected, and UBF also hopes to offer standard designs for borrowers from the Housing Bank.

Muharraq, UBF is building two schools and is working on two traditional construction projects using pre-cast components. These are an \$8.5m radio station and a sports stadium worth \$10m. The Muharraq Sports Stadium designed by Module Two includes grandstand and terrace accommodation for 8,000 spectators, a children's recreation centre, a 25-metre indoor swimming pool and a main sports hall seating 1,200. Other sports catered for are tennis, squash, volleyball, basketball and tennis bowling.

Cladding for the Sheraton

Hotel has been manufactured at UBF and the factory has also provided wall panels for five fire stations constructed by the Cypriot company Zachariades. Strict quality control of materials results in a low rejection rate of the precast concrete panels and, despite the difficulties of curing concrete in the Gulf climate, the manager claims that UBF sets a higher standard than is usual in Europe.

A local company making concrete blocks, components and asphalt, Haji Hassan Bin Ali, is working to full capacity but the National Import and Export Company, which brings in 90 per cent of the island's cement, reports a 25 per cent drop in imports against 1978.

A number of new projects have been announced for the 1980s, including the nucleus of a Gulf university, a \$40m tower block for the Sulmaniya Medical Centre and, possibly, the long-awaited Cultural Centre. More important perhaps for local contractors is the "bread and butter spending" on schools, roads, drainage and other services, which is expected to remain at a high level for some time to come.

Mary Frings

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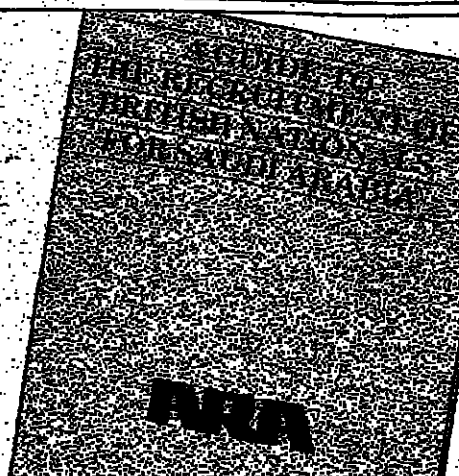
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# Uranium: a lawyers' field day

BY PAUL CHEESERIGHT

مكتبة المجلد

THERE IS so much litigation going on in the international uranium industry that U.S. producers are alleged to be spending more on lawyers than on exploration. More than 60 producers and consuming companies are involved around the world. The liabilities could run into billions of dollars.

Optimistically, the law suits could be finished by the end of the 1980s, but the effects of them will be felt at least until AD 2000. Already there have been diplomatic repercussions. At the centre of the growing edifice of litigation is Westinghouse Electric, the U.S. nuclear power plant manufacturer and power reactor supplier. The company's position in the international uranium market is under attack. In September, 1975, the group pleaded "commercial impracticability" as a reason for not supplying U.S. and other utilities with 80m lb of uranium, 68m lb of which it did not have in any case.

Between 1968 and 1974 the group had been offering supplies of uranium as an inducement to utilities to buy its power plants. What it had not been doing was fully covering its obligations. During this period uranium prices were \$6.8 a pound, but by May 1975, they had risen to \$35 a pound.

The U.S. meanwhile had been cut off from the rest of the world by an official embargo on uranium exports. This embargo was only lifted in 1977. The embargo, at least until uranium prices started rising in 1973, was intended to protect the viability of the domestic industry.

Deprived of the world's largest uranium market, producers in Australia, France, Canada and South Africa formed a club which entered into what was called "informal" market arrangements. It worked between 1972 and 1975, when it became irrelevant to market conditions. The club is now known among the lawyers as "the cartel".

The relationship between Westinghouse's short position in uranium and the existence of the cartel is at the heart of the interlocking law suits overshadowing the whole industry. This litigation falls into three series.

The first involves the reaction of the utilities—27 in all from the U.S. and Sweden—which claimed that Westinghouse had an unconditional obligation to deliver the contracted supplies of uranium. The second involves the Westinghouse defence, which turned into a legal counter-attack against both U.S. uranium producers and international companies in the "cartel". The third involves cases, which have sprung up because of "cartel" notably related to Gulf Oil.

## Settlements

Eventually, 17 law suits were brought by utilities against Westinghouse in a Richmond, Virginia court. The judge urged settlements out of court. The process of negotiating started in 1977 and 14 cases have been finally or tentatively settled.

The settlements have usually involved cash payments, agreements on uranium supply, the provision of services and equipment at below normal rates and, in some cases, the transfer of rights to certain uranium properties. They have covered more than two-thirds of the uranium supplies claimed by the utilities.

But Westinghouse failed to convince the Richmond court that commercial impracticability or force majeure could excuse it from performing its contractual obligations. On the other hand, the court in late 1978 also said the utilities were

not entitled to their full claims for relief.

The Westinghouse plea of commercial impracticability carried with it the idea that unforeseen circumstances prevented it from meeting its obligations. These circumstances were in effect, the activities of the "cartel". Thus the group, seeking compensation from what it was losing through the Richmond court, staged its counter-attack in Chicago.

In late 1978 it filed an anti-trust action, demanding punitive damages, charging that 17 U.S. uranium producers and 12 foreign producers had conspired to fix prices and withhold supplies from the market except at high prices. Seven Rio Tinto-Zinc group companies are caught up in the action. The substantive case is scheduled for trial in 1981, but there was a pre-trial hearing on January 16.

The position has been made more complicated by the fact that a group of foreign producers (RTZ) companies in Australia, Canada and the U.K., Anglo American and Nuclear Fuels of South Africa, Pacific Nuclear and Queensland Mines of Australia, supported by their Governments, refuse to accept the jurisdiction of the Chicago court.

A year ago the Chicago court found them in default. Legal argument is now centred on whether they should be called to pay damages because of this, before the substantive trial is heard. The case is now in the appeal stage and a judgment is awaited.

But the producers have been enjoined by the court not to move assets out of the U.S. without giving Westinghouse 20 days' notice. And Westinghouse is reported to have engaged teams of lawyers to identify the U.S. assets of these defendants.

In the meantime another case has been merged into Westinghouse's Chicago action. In November, 1977, the Tennessee Valley Authority, which had been at odds with Westinghouse over supplies, brought an action against three U.S. and 10 foreign producers.

Again it was an anti-trust suit, charging the "cartel" but it was more international companies: Uranerz Canada, a subsidiary of a West German group, and Uranerz of France.

But other actions were already proliferating within the U.S.—and this is the third series of cases. Gulf Oil is at the centre of them. The group had been the subject of a federal grand jury anti-trust investigation and at the end of 1978 had pleaded *nolo contendere*—the case was settled out of court but Gulf did not admit guilt. It paid \$40,000 on the basis that this would be easier and cheaper than fighting a court action.

Yet Gulf's links with the "cartel" through Gulf Minerals Canada led to actions involving United Nuclear Ranchers Exploration and HNG Oil, Reserve Oil and Sohio Petroleum, and Exxon Nuclear.

## Package deals

Gulf, through its General Atlantic joint venture with a Shell unit, is engaged in the power plant business and like Westinghouse had been offering uranium supplies as part of power station packages.

The companies with which it is in litigation are uranium suppliers, and their arguments have been broadly the same. Because Gulf has been involved in the "cartel" and therefore knew that prices would rise, they should be excused from meeting their obligations to supply General Atomic.

The Gulf-United Nuclear case has now moved to the New

## DEFENDANTS IN WESTINGHOUSE'S CARTEL LITIGATION IN CHICAGO

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RTZ Services

Mexico Supreme Court, without a direct hearing on the "cartel" issue. It has been made more complex by a difference between the state and federal courts about whether rights of arbitration exist. The dispute with Ranchers and HNG has been settled out of court. The other cases await trial.

In short, the arguments about the "cartel"—whether it did push prices up and whether its actions could have had any effect in the U.S. protected by the import embargo—remain to be tested. None of the plethora of cases has yet touched the crucial issue. Yet the different series of actions have already had an effect on the industry.

The first and most obvious result has been the cost to Westinghouse of the settlements it has reached with utilities. The settlements have led to a cumulative pre-tax charge since 1977 of \$549.5m or \$288.2m after tax against concern profits. To discharge remaining obligations will cost the group, on its own reckoning, resources worth a net \$287.7m between now and AD 2000.

Yet, the group's position in the uranium industry at large does not seem to have been weakened. Industry executives suggest that, on the contrary, it has been strengthened because the duration of the settlements it has reached with the utilities ties them to it for years to come.

Second, although producers and consumers have continued to trade uranium, there have been hiccoughs in the flow of payments because of Westinghouse's success in blocking the movement of funds to defaulting Chicago defendants.

Last August Westinghouse won an injunction to stop payment of \$22.7m from the Tennessee Valley Authority to Rio Algom, the RTZ group's Canadian unit, for uranium supplied under a 1974 contract. The TVA, in any case, seeking to repudiate this contract through the courts and is itself the subject of counter-claims by Rio Algom.

Two apparently separate issues have come together with the TVA, asserting that the supply contract was tainted by Rio Algom's participation in the "cartel" and Rio Algom declaring that the TVA has entered a conspiracy with Westinghouse to damage it by the repudiation of the contract.

Further, there has been a hiatus in the payments due to Mary Kathleen Uranium, another RTZ group company, this time in Australia, from Commonwealth Edison, the U.S. utility. But the difficulties have been resolved.

Another case where the flow of funds from the U.S. has been interrupted again concerns Rio Algom. A payment of \$1.6m from its Atlas Alloys subsidiary has been placed in court bank account, following the grant to Westinghouse of an injunction stopping the movements of funds.

The third effect of all the litigation is less tangible. Industry executives unconnected with the law suits feel that the reliability of supply contracts has diminished. They note that U.S. buyers dealing in good faith with foreign producers often have behind them political bodies—the public service commissions—which introduce an unknown factor into normal contract negotiations.

## Political

The hearings into the uranium industry of the House of Representatives' commerce committee's sub-committee on oversight and investigations and the inquiries of the New York State Assembly, have shown how the existence of the cartel and anti-trust law more generally have become political issues.

This uncertainty seems to have spread into the relations between U.S. and foreign producers. Industry specialists

have detected some anxiety on the part of U.S. groups, especially oil majors, about becoming involved in joint ventures with foreign defendants at the Chicago litigation.

Such unease, however, is likely to pass away gradually. During the past two years industry tempers over the Westinghouse affair have cooled, especially as there is no longer the same pressure to buy uranium: the nuclear reactor building programme has slowed appreciably since the mid-1970s. The litigation is something which rumbles in the background.

But the international diplomatic effect of the litigation will be more lasting. Resentment about U.S. attempts to extend its anti-trust jurisdiction outside its own borders has grown. The "cartel" did not after all operate in the U.S. and it was supported at the time by governments.

Westinghouse's Chicago action during the last year or two has brought the governments of the U.K., Australia, Canada and France springing to the defence of their national companies. They have submitted documents urging the court not to impose damage judgments on the defaulting defendants without hearing the main trial first. They have deprived the court of documents needed for the main trial.

The case has acted as a stimulus in the strengthening of national barriers against U.S. anti-trust investigations and judgments. Canada, Australia and the U.K. have all in recent years taken measures either to prevent the movement of documents and witnesses to the U.S. or to make anti-trust judgments unenforceable in their own territories. The latest manifestation of displeasure with U.S. anti-trust policy has been the introduction in the UK of the Protection of Trading Interests Bill, expected to become law in the spring.

## Letters to the Editor

### Condemning Russia

From Mr. A. Ferguson, MEP for West Strathclyde.

Sir,—In his report (January 17) of the European Parliament debate on Afghanistan, Mr. Bickel over-estimated the role of the United States in the Middle East. The Paris summit was a failure, a firm stand was not taken by the United States, and the political and economic situation in the Middle East remains unchanged.

I do not think he can have understood the events of last Tuesday and Wednesday in Strasbourg. In contrast to his account, the Parliament finally passed by a large majority a resolution condemning Russia and involving economic sanctions which even the French Press noted was substantially stronger than the one taken earlier in Brussels by the Foreign Ministers of the nine.

As one of those who spent many hours on Tuesday and Wednesday trying to find a common resolution to which all European Parties (less the French Communists) might put their names, I must assert that no hand-wringing took place, in effect or otherwise. The extent of the agreement, from far Right to far Left, strongly to condemn Russia and call for immediate withdrawal was itself remarkable. The desirability of maintaining their unanimity was self-evident. A rare degree of understanding between parties often at odds with one another was apparent in those negotiations—and it seemed to be worth spending all the time we could in working out a common text: a process which your correspondent chooses to call "horse-trading".

The attempt, however, though frustrated even until the debate was over, proved fruitless. The Left, regarding the preservation of détente as their top priority, could not bring themselves to call either for undefined economic sanctions against Russia or reconsideration of the Olympic Games' site. Thus we agreed to differ, and the British Conservatives, the Christian Democratic parties and the European Liberals, due course combined to support and carry the resolution which embodied a "shopping list" of economic measures for Foreign Ministers to put into effect.

It is true that this resolution was passed in the wake of an unedifying spectacle in which (aided by the breakdown of the electronic voting system) those like the Communists who are opposed to the Parliament's meddling in international affairs, did their best to reduce the Assembly to chaos. To me this is a measure of the importance such elements accord to the Parliament—and no one could say the spectacle was boring. I suspect that when ever two tidal waves of highly charged political feeling crash against one another in a multi-lingual, multi-party Parliament which does not have the tradition of discipline of, say, the House of Commons, there will always be a lot of froth and foam about.

The fact remains that the Parliament roundly expressed its anger and determination on behalf of most Europeans in a way no one else has, and that it has once again led the Budget given a clear lead to the Council of Ministers in demanding measures from which collectively those Ministers have chosen to shrink.

### Inflation accounting

From Mr. J. Woolter, 504 Queen's Quay, 58 Upper Thames Street, EC4.

Sir,—In answer to Mr. Ray's question (January 16) "Is inflation accounting an academic exercise or a trick?" I would suggest that he should look elsewhere for the guilty party. While most academics would argue in favour of inflation accounting, it is doubtful whether the big push is coming from that direction.

I believe that the accountancy profession, led by the chartered accountants, is conscious of a need to be seen to be doing something on inflation accounting. There is a feeling that if the profession does not do something, then the Government will itself step in with its own "recommendations." This would, in the eyes of many professional accountants, allow the Government to get its toe in the door and that could be dangerous.

The chaps running the audit firms receive remuneration in excess of what they could command in industry. Who can blame them for not wanting to keep the status quo? If the articles on inflation accounting in the financial press are typical then there are not too many academics who support exposure draft 24 proposals. Professor John Grynner has shown quite clearly that use of ED 24 can be positively misleading and that historic cost accounting often gives more satisfactory results.

Few academics seem to argue against the methods advocated by the grand old man of accountancy—Professor Will Baxter. His system may be a little more complex than ED 24 but it is logical and much superior to any of the other systems yet advocated. Were industrial organisations allowed to choose between tax based on the ECA system or on the Baxter system, I am confident that the majority would quickly learn to master the Baxter system.

Jeff Woolter, 504 Queen's Quay, 58 Upper Thames Street, EC4.

### Pressures on New Zealand

From the High Commissioner of New Zealand.

Sir,—It is gratifying that the Financial Times should have seen fit to devote its second leader on January 18 to the economic pressures affecting New Zealand. These are difficult enough and too easily lost sight of behind a series of more immediate or global importance. One wishes, however, that your treatment of the subject might have been better balanced and even, dare I say it, more accurate.

New Zealand has had more than its share of economic difficulties during the 1970s and some of these, notably a high rate of inflation and a continuing balance of payments deficit, persist. Contrary, however, to the implication in your leader, that these have come about through Government neglect, they are areas on which remedial attention is being constantly focused. To talk of a "rapid and unchecked economic decline" is frankly nonsense. Our terms of trade did fall by

40 per cent in the two years following the 1973-74 leap in oil prices. This forced a sizeable adjustment on the New Zealand economy—an adjustment that lowered per capita New Zealand incomes in relation to those of other countries very substantially. What your leader failed to point out is that New Zealand has undergone a considerable adjustment and that the level of economic activity has been stabilised, albeit at a level that allows only slow real growth. The numbers of unemployed rose rapidly up to 1978 but have since stabilised at about 2.5 per cent—the 6.2 per cent you mentioned. The current account deficit in the balance of payments has been reduced from around 14 per cent of GDP in 1975 to around 4 per cent at present. Terms of trade have also recovered significantly from the trough of 1975-76, although the current world economic outlook and recent oil price rises will probably reverse this trend.

Referring to the impact on New Zealand of increased oil prices you neglected to mention that Government decisions recently taken will halve the country's dependence on imported liquid fuels within a few years and will also generate significant new export earnings. The basis for this development will be New Zealand's natural gas resource which is not small as you state, but large by world standards. Incidentally our coal reserves, also described as small, are of the order of 3bn tonnes.

These resources, together with yet untapped hydro-generating capacity and huge fast-growing forests provide the basis for an optimistic view of New Zealand's economic future, even if the short term view is clouded by the prospect of further international recession and difficult conditions in the export of New Zealand's agricultural products, particularly butter. (Not incidentally, lamb or wool which at present are traded freely in almost every country in the world, though the future introduction of an EEC sheepmeat regulation could require one to qualify that.)

It is completely misleading to speak of "a disastrous erosion of support" for New Zealand's present National Government. The Christchurch Central by-election which you quoted took place some six months ago. On the other hand, the state of the Government's popularity as reflected in the most recent public opinion polls is slightly ahead of that of the Opposition, while the level of personal support polled by the Prime Minister is just twice that voiced for the Leader of the Opposition.

Mr. Muldoon has, for the last ten years, established the practice of addressing the local Rotary Club at the small seaside town of Orewa where he customarily takes a summer holiday, and giving them some personal reflections on factors affecting New Zealand's future. The good Rotarians of Orewa would, I am sure, be flattered to learn that that informal occasion was styled "a state of the nation address" by so famous a journal as the Financial Times. The fact is, however, that Mr. Muldoon, as Prime Minister, gives many speeches on every subject under the political sun. His views and those of the New Zealand Government on New Zealand's domestic economic problems, and the policies required to deal with them, are not hard to find. The occasion of the address at Orewa was one in which the Prime Minister could reasonably choose to focus

attention on certain aspects of New Zealand society and the impact on it of world events, without suggesting that other domestic factors were unimportant. A leading article in the Financial Times devoted to the New Zealand economic situation is, however, a very much more rare occasion and one in which it would therefore seem all the more important to convey to your international readers a balanced picture of an economy still beset by a number of serious problems but with human, social and economic resources that justify taking an optimistic view of its future.

L. W. Gandar, New Zealand High Commission, New Zealand House, Haymarket, SW1.

### Future of leasing

From the Managing Director, First Dallas Leasing.

Sir,—The Lex column review (January 15) of export leasing implied that reform (or the ending of) first year allowances for financial lessors was long overdue.

On the basis of experience of tax-based leasing in a number of countries, including Canada, Australia, South Africa and the United States, I have reached the conclusion that the lessors in reforms which restrict such lessors are lessors.

The straightforward rules of the 1971 Finance Act have engendered a highly competitive business under which lessors make reasonable returns (equivalent to yields on lending) and tax benefits are passed to lessees in the form of reduced rentals. Financial lease rentals currently (on average) contain interest at roughly half lending rates—which is what you would expect where half a lessor's funds cost him nothing. Lessors used to make higher returns (though not unduly high) but competitive pressures have eliminated these for the last two or three years.

If tax benefits were unreservedly restricted to operational lessors, a whole group of lessees would lose a valuable option and be deprived of an investment incentive which, in many cases, they cannot obtain by buying themselves. Lessees are frequently new companies or projects which do not have capital or profit record to benefit from tax incentives and the removal of financial lessors might significantly adversely affect such new investment. Operational lessors also play an invaluable role, but only for users who want shorter terms at higher costs and less responsibility for equipment.

The Revenue's rules for export leasing—very sensibly exempt operational lessors from their equally sensible ban on 100 per cent allowances for foreign to foreign leasing. To exempt them they needed to define them. Under the Lex columnist, I see no reason to believe that this rule presages any other developments.

The present leasing system has survived nine years with just a few corrections to get rid of abuses. I see no reason for a major change before the expected general reform of company tax takes place—and, even then, no reason why any new system of depreciation on incentives should exclude financial lessors.

John R. R. Sheldon, 16, St. Helen's Place, EC3.

## Today's Events

### GENERAL

UK: Sir Keith Joseph, Industry Secretary, speaks at Press Club lunch, London.

Special Trades Union Congress conference on economic strategy and resistance to the proposed Employment Bill, London.

First formal meeting of the Commission of Inquiry into the constitution of the Labour Party, House of Commons.

Final day of Financial Times conference on the 1980 Euro-markets, London.

Mr. Denis Healey, Shadow Chancellor, addresses General and Municipal Workers' Union conference, London.

General Council of British Shipping statement on prospects for British shipping in 1980.

### British Overseas Trade Board

conference on trade associations and exporting, London.

Sir Peter Gadesden, Lord Mayor of London, lunches with Glovers' Company, Cutlers' Hall, EC4.

BP tanker drivers' delegate conference.

Overseas EEC Agriculture Ministers meet in Brussels.

One-day national strike in the Irish Republic in support of PAYE reform.

Mr. Li Qiang, Chinese Minister of Foreign Trade, in Japan to discuss bilateral trade (until January 30).

### Adjustment of Rates) Amendment Regulations, 1980.

### OFFICIAL STATISTICS

Cyclical indicators for the UK economy (December). Unemployment (January—provisional). Unfilled vacancies (January—provisional).

COMPANY RESULTS  
Final dividends: Ashdown Investment Trust, Botham Engineers, Lincroft Kilgour Group, Interim dividends: Amber Day Holdings, Jones Stroud (Holdings), McKay Securities, MFI Furniture Group, Benjamin Priest and Sons Holdings, Scottish English and European Textiles, Interim figures: D. F. Bevan Holdings, F. Wrighton and Sons Associated Companies, Zettlers Group.

This announcement appears as a matter of record only



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## UK COMPANY NEWS

## Alexanders hit by MLR rises

THE RISES in MLR during 1979 caused Alexanders Discount Company, discount house, to incur a loss for the year of £250,000, after rebate and tax and transfers from contingency reserves, compared with profits of £200,000 previously.

The fall in MLR early in the year enabled the company to make some profit, but the increases in June and November resulted in heavy depreciation and trading losses.

These losses have been met by a reduction in both published and inner reserves. After a transfer of £1m, general reserve stands at £4m (£5m).

In view of the cyclical nature of the company's business and the large retentions of previous years, the dividend total is held at 16.00p net per £1 share, with a final of 11.50p.

Profits carried forward were £21,000, against £146m a year earlier.

See Lex

## Director quits B and Q (Retail)

Mr. Roger Hemmings has resigned as a director of B and Q (Retail), the D-L-Y supermarkets group which came to the market eight months ago. His departure was described as "amiable" by Mr. David Quayle, chairman.

Mr. Hemmings said he wanted to devote himself to other business interests, notably property development. "I was beginning to lose interest now that B and Q is now just another multiple retailer on the shelves," he said.

Mr. Hemmings, 43, joined the company in 1974. He was originally responsible for B and Q's Kent operations but later concentrated on site acquisition in south-east England.

At B and Q, Mr. Hemmings earned £15,950 a year.

At the time of the flotation

## United Guarantee pays 5p

With turnover ahead at £5m, compared with £4.1m, taxable surplus of United Guarantee (Holdings) increased from £15,780 to a record £389,810 for the year to September 30, 1979.

The profit was struck this time after charging termination payments of £50,000 to former directors.

Following the interim dividend of 0.232p per 5p share, a final of 0.268p makes a total payment of 5p net, compared with a single 0.202p previously. Stated earnings per share rose from 3.847p to 3.936p.

First-half profits had risen from £192,540 to £307,894, but these included exceptional credits of £57,684 (nil) for premiums received in respect of new business development.

Tax took £196,878 (£186,787) and net surplus emerged up from £147,023 to £203,232.

The group is engaged in the sale of lubricants, fuel oil and heating services, and the leasing of plant and vehicles.

**THOMAS VALE**  
In a deal worth £400,000, four executive directors of Thomas Vale and Sons, the building and civil engineering company, have acquired the capital from Claxton and Garland.

The directors who have managed the company for the past seven years have been supported by the Birmingham area office of Industrial and Commercial Finance Corporation.

## BOC steps up capital spending programme

## HIGHLIGHTS

The Lex column takes a look at the paradox of the current financial position where short-term money rates are shooting up but long-term gilt-edged yields are falling. Sterling continues to get stronger but as yesterday's DoT figures show, companies remain in serious financial deficit. On the company front Lex looks at Alexanders Discount which has been pushed into losses by the rise in interest rates over the last year. Meantime BOC is disappointed with its UK profitability and proposes in its annual report to dispose of its peripheral UK assets. Also involved in a disposal is the Gieves Group which has an interesting deal to return money to shareholders. Finally, Lex looks briefly at the latest developments in the Bowring saga. On the inside pages the interim figures from Mercantile House come in for comment.

increased to £77.3m—had it been charged on a historical cost basis, profits would have been £84.3m (£80.4m).

CCA profit is reduced to £65m after adjustments for additional depreciation, £6m, cost of sales, £15m and monetary capital, £10m. The balance-sheet on a CCA basis shows fixed assets of £266m (£268m historical) and net current assets of £208m (£203m).

Total fixed capital expenditure was £132.2m (£133.5m) with 63 per cent of investment in the gas business and a further 15 per cent in welding products and medical equipment. The main areas of investment were the UK, US and Australia.

The number of people employed by the group fell from 56,200 to 45,600 with the biggest decrease in Asia where employment fell from 6,800 to 900. During this year several group businesses will be under considerable pressure and it will be more difficult to maintain a stable level of employment, the chairman says.

The sale of the ferro-alloys business and the change of Indian Oxygen, Malaysian Oxygen and Tanzania Oxygen from subsidiary to associate status account for most of the changes in the employment pattern.

During the year, the group made charitable payments of £328,000 of which £78,000 was by

## Arthur Lee looking outside traditional product range

Mr. P. W. Lee, chairman of Arthur Lee and Sons, Sheffield-based steel group, says that for the longer term he believes that there will be a continuing demand for the group's products but the growth potential for some of them will be limited.

Directors are therefore identifying special development opportunities both in and outside the traditional areas of activity. The chairman is less pessimistic about 1980 than some forecasts but says this may not be so if the group is adversely affected by industrial disputes, particularly the present problems of the British Steel Corporation.

Trading conditions are currently depressed in some products of Lee Steel Wire but the chairman believes that a continuation of last year's improving trend can be maintained.

Improvements in quality of Lee Steel Strip products and

changes to better delivery performance give hope that results of the current year will now show an increase on last year, says Mr. Lee.

Although 1980 does not look encouraging for the stockholding side, it is expected that the division will maintain its record of increased profitability and turnover in the coming year. Plans for the John Shaw wire ropes business have been laid realistically and an improved result is sought.

Lee Bright Bars is facing a difficult outlook and demand is unlikely to rise in the near future. Efforts will be made to control costs and make the best use of production facilities, says Mr. Lee.

In the year ended September 30, 1979, group pre-tax profits improved from £1.89m to £1.95m on turnover of £87.45m against £83.42m. The outcome would have been significantly better

without the effects of the transport and engineering strikes.

"Nevertheless it is recognised that even without these, the underlying level of profitability needs to be considerably greater than the long term prospects of the group," the chairman states.

Meeting, Sheffield, February 15 at 12.30 pm.

## AMALGAMATED TIN

The proposed return to shareholders of Amalgamated Tin Mines of Nigeria (Holdings) of surplus funds totalling £1.7m, equivalent to 15p per share, will take the form of a repayment of capital of 9p per share, effected by a capital reduction, and two interim dividends, each of 3p per share.

The first interim will be payable on or about February 19 and the second on or about April 22.

## Mercantile House ahead and sees higher dividend

FOR THE half year ended October 31, 1979 taxable profits of Mercantile House Holdings, the money broking concern, which came to the market last July, rose from £1.23m to £1.42m on turnover ahead to £9.42m, compared with £7.55m.

The directors are confident that results for the full year will be satisfactory—last year's profit was £2.6m.

The net interim dividend per 25p share is 4p and an 8p final 25p share is 4p and an 8p final 12p total. This compares with the directors' forecast of not less than 10.72p, made at the time of the offer for sale.

Profits for the six months, which excluded any contribution from Woolworth and Co., acquired last December, were subject to tax of £739,372 against £679,957, giving an attributable balance of £679,769 (£548,308).

Earnings per share are up from 11.25p to 13.03p and after dividends of £220,000 (£126,833), the amount remaining was £459,769, compared with £420,476.

See Lex

## Meggitt's year-end profits slip

PRE-TAX profits of Meggitt Holdings, the Beaumont machine tool distributor, fell from £478,316 to £428,454 in the year ended October 31, 1979, but turnover increased from £8.2m to £8.3m.

Profit after all charges, including tax of £233,810 (£151,139) came out at £194,544 against £237,180. At the halfway stage pre-tax profits were £152,000 (£181,113).

Stated earnings per 5p share are 4.7p (7.8p), and a final dividend of 0.42p makes a total of 0.84p (0.8406p).

The company proposes to introduce a profit-sharing scheme, subject to approval being given at the annual meeting.

## DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Current dividend	Current dividend	Current dividend
DAVY W...	2.25	March 20	3.21	5	4.5
Great Northern...	2.45	Feb. 28	2.01	3.75	3.15
Leda Invest... 2nd Int.	2.45	March 5	11.5	16	16
Alexanders Discount...	11.5	April 11	0.57	—	1.72
Cray Electrics...	0.57	April 11	0.64	0.92	0.92
Dewhurst & Partners...	0.6	April 2	0.64	0.84	0.84
Meggitt Hldgs...	0.42	Feb. 28	0.6	3.1	1.73
Mercantile Hse...	Int. 4	March 3	0.6	3.1	1.73
Palmerston Inv...	Int. 0.6	Feb. 25	28	6.35	4.05
Reuben Inv...	24	—	0.2	0.5	0.2
United Guarantees...	0.27	—	—	—	—

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡Corrected—excludes 0.9p in respect of Shell and Unilever dividends. §Includes special dividend of 0.6p. ¶Total of 12p forecast.

stimulating money broking activity—on which Mercantile earns a commission. The relaxation of UK exchange controls will also help to generate business. With three months of Woolworth full-year profits of around £2.5m look on the cards.

At this level, the fully-taxed p/e is 6.2 on average capital while the prospective yield is 11.1 per cent at 158p—unchanged but 2p lower than the issue price.

## Newman quits all Brentnall directorships

Mr. John Newman, main Board director of Brentnall Beards (Holdings), the insurance broker with large Lloyd's of London interests, has resigned all his directorships within the Brentnall Beards Group including Brentnall Beards (Holdings). He resigned last Friday.

Mr. Newman was not available for comment yesterday but the company said in a formal statement that he had resigned

"pending the outcome of the proceedings against him under the Lloyd's acts."

Mr. Newman is one of six people whose conduct in connection with events which led to large losses on the same underwriting syndicate is being reviewed under statutory internal proceedings at Lloyd's.

Lloyd's took the action after an investigation into the trading relationship of the same syndicate number 782, with Brentnall Beards International, a Lloyd's broking subsidiary of Brentnall Beards (Holdings).

SHARE STAKES

Elliot Group of Peterborough

Pentos has increased its holding through subsidiaries from 2.4m shares to 2,837,500 shares (20 per cent).

Amalgamated Power Engineering—On December 7 Prudential Assurance Group notified that its interest was less than 5 per cent (previously 781,580 shares) (5.7 per cent).

Scottish Amicable Life Assurance Society, and its subsidiary, has reduced its interest by 100,000 shares to 636,666 (4.64 per cent).

## Lloyds and Scottish outlook

CONDITIONS generally do not seem to be favourable to group business. Mr. George Duncan, chairman of Lloyds & Scottish, tells shareholders in his annual review.

Trading environment for a major part of the group's business continues to be unhelpful, he says, and unless there is a significant reduction in interest rates, margins will remain under pressure. "until our fixed lending book has been adapted to the new conditions."

Mr. Duncan states that the group's ability to cope with difficult circumstances has been shown in the past, however, "and I am confident that it will continue to do so in spite of the considerable problems facing it."

As reported on December 14, pre-tax profits of this financing, industrial and commercial concern, finished the September 30, 1979 year at £27.8m (£25.5m) despite a lower first-half. The total dividend is increased to 5.27p (4.4068p) net per share.

Since the year-end Lloyds entered into a conditional contract for the purchase of James Talbot Factors of the U.S. and represents its first major investment in a wholly-owned subsidiary in that country.

As at balance date, future capital expenditure totalled £19.1m (£4.1m), including

£16.27m authorised, but which was not contracted.

On a CCA basis pre-tax profits are reduced to £19.2m after adjustments for costs of sales £9.9m, depreciation £1.3m, monetary working capital £2.2m, less gearing £3.9m.

The accounts also give the chairman's emoluments as £42,804 against £33,177.

At December 18, 1979 Lloyds Bank and the Royal Bank of Scotland, each held 39.16 per cent of the issued equity.

Meeting, 8/9, Chesterfield Hill, W. February 13, at noon.

## Tough year for John Williams - but better prospects

Reporting pre-tax profits of £256,000 in a "difficult and disappointing" year, Chairman Harold E. Williams referred to both past problems and future prospects in his recent statement. All companies were affected by both the transport drivers and engineers' disputes and these, together with rising costs, put margins under extreme pressure. John Williams Foundries Ltd., completing a major modernization scheme, were hit both by the disputes and late delivery of new plant. Despite a reduction in trading profit to £17,000 (£557,000 in 77/78) there are now signs of a marked upturn with improved productivity in the new financial year. Jonwindowns Ltd. disappointed, with a trading loss of £83,000 compared to the previous year's record profit of £240,000. However, with order books now at a healthy level, the position is much improved. The steel stockholding companies performed commendably well in the face of the continuing recession with trading profits increased to £722,000 (£672,000 in 77/78) on record sales of £12.8 million. The Board are maintaining the dividend.

## Extracts from 1979 Report (in £000's)

	1979	1978	1977	1976
Net Assets Employed	8586	7895	6116	5485
Turnover	21961	20216	18402	16670
Trading Profit	656	1469	1358	1115
Interest	460	360	427	369
Profit before Tax	256	1209	911	744
Earnings attributable to the Shareholders	247	934	432	360
Ordinary Dividends	191	191	110	99

Annual General Meeting Friday 25th January, 1980  
Copies of Annual Report available from:  
The Secretary, Williams Way, Cardiff CF11 1JH.



Principal subsidiaries: J. R. Forrester & Co. Ltd., Glen Metals Ltd., Stewart Thomson (Wishaw) Ltd., Central Steel Line Ltd., Jonwindowns (Scotland) Ltd., John Williams Steel Service Ltd., Jonwindowns Ltd., John Williams Foundries Ltd.

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Derrick Cowan, Chairman

COWAN DE GROOT LIMITED, 11 John Street, London WC1N 2EG. Telephone: 01-405 0812

## Williams Lea 24% higher at £0.9m after second-half fall

TAXABLE PROFITS of Williams Lea Group slipped from £511,000 to £489,000 in the second six months to September 30, 1979, but the private unquoted printing concern ended the year some 24 per cent higher at a record £912,000, compared with £735,000 previously. Turnover for the full period rose over 22 per cent to £11.1m.

Mr. D. L. Donne, the chairman, explains that business in the last quarter was less buoyant, while the group's largest subsidiary, Williams Lea and Co. failed to make any contribution to the year's result.

The disappointing result from its financial, confidential and Government printing subsidiary was due to low activity in the city market in the first half, but the run-up to the installation of computer typesetting equipment in November, 1979, after three years of research and development work.

The chairman says the current year is likely to be challenging for the group, with two major installations of plant. But the running-in costs of these additions, coupled with a decline in the national economy, make short-term prospects uncertain.

Over the four years to the end of 1980, the group will have invested £2.5m in new plant and it is now equipped with the most up-to-date plant in each of its main areas of activity, Mr. Donne states.

He adds that the long term outlook is exciting.

Adjusted for the sub-division of shares last October, stated earnings for the 1978-79 year were 12.55p (9.31p), per 5p share, while the dividend total is effectively lifted from 11.06p to 17p with a final of 11.47p.

Meeting, 23-24 Old Street, EC, February 11, noon.

## NEW LIFE BUSINESS

## Trident Life has good year

THE BUOYANT income bond market last year resulted in single premium business of Trident Life Assurance, a member of the Schlesinger Group, more than doubling in 1979 from £11.1m to £26.3m. The company sold £14.5m of income bonds last year against £1m in 1978, even though it has kept out of the very short-term sector of this market.

Sales of unit-linked bonds advanced by 16 per cent from £10.1m to £11.7m, boosted by the marketing of personalised bonds — for a single investor. These sales nearly doubled to £4m, mostly in gilt bonds. Of the normal linked-bonds, the most popular fund last year was the property fund.

Annual premium business was also buoyant in 1979 rising by 65 per cent from £3.1m to £5.2m. Mr. Alan Roberts, director and general manager, reported that the growth in this business had occurred across all sectors—pensions, savings and protection.

## AMEV LIFE

A good year for new business is reported by AMEV Life Assurance, a member of the Dutch insurance conglomerate AMEV.

with single premiums more than doubling from £1.35m to £3m and annual premiums tripling from £349,000 to £1.19m. Sales of personalised bonds showed strong growth to about £700,000, while the rise in annual premium business represented a surge in sales of linked savings plans.

## NATIONAL EMPLOYERS LIFE

Record new business and an increase in its reversionary bonus rate for 1979 is reported by the National Employers Life. New annual premiums rose by 3 per cent to £10m, against £9.5m in 1978, while single premiums were 30 per cent higher at £3.61m (£2.79m).

The growth in annual premium business, however, came entirely from the buoyant permanent health market, with premiums advancing 30 per cent from £2.5m to £3.24m. Individual life business was slightly down at £1.3m, while pensions business declined 5 per cent to £5.46m.

The growth in single premium business arose entirely from an expansion in pension particularly from Additional Voluntary Contribution schemes.

## CITY OF WESTMINSTER

The continued demand for its successful Farmland Fund enabled the City of Westminster Assurance, a member of the U.S. Sentry Insurance Company, to nearly double its single premium business. Total single premium rose by 80 per cent from £3.1m to £5.5m, of which £4m was invested in the Farmland Fund.

The company has purposely not entered the guaranteed income bond market.

Annual premium business improved by 16 per cent from £1.8m to £2.1m, of which £1.2m represented linked regular savings plans and the remainder conventional life contracts. Mr. Colin Langton, the general manager, anticipated that 1980 would be a year of growth for the company, with a number of new products being introduced.

59,228

The 59,228 shareholders of BOC International have just been sent their copy of the 1979 Annual Report. If you would like a copy of this report, please complete the coupon below.

The 94th Annual Meeting of BOC International Ltd., will be held at The Lyric Theatre, Hammersmith, King Street, London W6 0QL, on Wednesday 27th February 1980 at 3.00 pm.

To: Investor Relations Department, BOC International Ltd., Hammersmith House, London W6 9DX.  
Please send me a copy of BOC International's 1979 Annual Report.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
FT



# New-look Gieves gives holders cash and shares

BY REG VAUGHAN

GIEVES GROUP, the tailor, publisher and motor dealer, is selling its James Burn Bindings subsidiary to an American group for £3.8m cash in such a way that the proceeds go directly into the hands of Gieves shareholders.

The sale of the bindery to Stanley International, a UK subsidiary of Stindex International Corporation of the U.S., involves the liquidation of the existing Gieves Group followed by the splitting of its assets into two companies—the new JBB and the new Gieves.

In return for these assets, new JBB and new Gieves shares will be issued direct to existing Gieves holders. Stindex then proposes to make an offer to purchase the capital of the new JBB. The effect on shareholders of Gieves of the reconstruction and subsequent sale of the new JBB capital would be that the ordinary holders will each receive 80p cash per share and the 5 per cent preference and 5 per cent "B" preference holders will be bought out for £20p cash per share.

In addition the Gieves ordinary holders will receive shares in a new company which will own all the remaining assets and businesses of Gieves. Well over 40 per cent of the Gieves ordinary capital is in the hands of the directors and their associates.

Gieves had been in talks with the U.S. company for the past 18 months and preliminary tax clearance was received in mid-October. Mr. Michael Keeling, the chairman, said yesterday that after taking advice this method of disposal was decided upon as being the only way shareholders could receive cash without being taxed twice.

Mr. Keeling felt that it was the right thing to do to give money back to shareholders. Final tax clearance has yet been received, but it is clear that the sale of the JBB shares will amount to a partial disposal for capital gains tax purposes. The business of JBB, which contributed 50 per cent to group profits in 1978-79, is mainly in

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Share meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are expected or not and the sub-divisions shown below are based mainly on last year's timetable.

TODAY	
Interim: Amcor Div. Jones Stroud, M&K Securities, MFI Furniture, Bournemouth Press, Scottish English and European Textiles	
Finals: Ashdown Investment Trust, Southam Engineering, Lincolnt, Kilsour.	
FUTURE DATES	
Interim: Allen (W. G.) (Hilton) Jan. 24	
Dividend: (H. and J.) Jan. 25	
Dividend: Roskill Jan. 26	
Dividend: Sylvania Jan. 30	
Finals: Brimid Quilcast Jan. 13	
Edinburgh American Assets Jan. 22	
Dividend: Tugel Jan. 23	
Dividend: Glasgow Stockholders Trust Jan. 15	
Hill and Smith Jan. 31	
McDonnell Jan. 26	
Mercantile Investment Trust Mar. 4	
Olympia (Rodacre) Jan. 26	

the manufacture of products used in the calendar market. Stindex, a diversified manufacturing group whose common stock is quoted in New York, has a division called Wire-O which makes products substantially similar to those manufactured by JBB.

The sale price for JBB compares with a net book value of £1.5m which represented 20 per cent of group net assets. In 1978-79 turnover of JBB was £4.6m and trading profit £748,000. Some 80 per cent to 70 per cent of production goes overseas and profits in the first half of 1979-80 down from £388,000 to £258,000—were hit by the strength of sterling.

Of the 1978-79 turnover, £3.5m represented wire loops of which 20 per cent went to the U.S. Trading profits in 1978-79 attributed to the new Gieves amounted to £347,000 and for the first half of 1979-80 they came to £369,000 compared with £248,000. In the current year profits are expected to show little change.

A condition of the Stindex offer is that the JBB group profits, before tax and extraordinary items in the year ended

January, 1980, amount to not less than £550,000.

## HENLYS TO BUY

R. E. HAMILTON

The boards of Henlys and R. E. Hamilton and Co. announce that discussions are taking place which are expected to lead to the acquisition by Henlys of the Hamilton share capital.

Hamilton is a main dealer for Ford vehicles in Northern Ireland with its head office in Belfast.

Hamilton's pre-tax profit for the year ended December 31, 1978, was £112,000 and unaudited management figures for 1979, indicate a result of about £200,000.

Henlys has commenced negotiations with Ford Motor for the continuance of the main dealer and truck specialist dealer franchises held by Hamilton, should the acquisition take place.

## TATEGOLD VALUES

DOLOI AT £259,000

Tategold Limited and Doloi Tea Holdings have reached agreement on the terms of a cash offer to be made by Tategold to acquire all the 98,000 stock units of 50p each in the capital of Doloi.

The offer price will be 270p in cash for each existing stock unit of 50p and values Doloi at approximately £259,000. The board of Doloi and its financial advisers, Cayer Limited, consider the terms of the offer to be fair and reasonable and will recommend acceptance to stockholders.

The directors of Doloi do not hold beneficially any stock units, but units held by them as nominees on behalf of Finlay Overseas Holdings (a wholly owned subsidiary of James Finlay and Company) are included in a total of 65,562 stock units (66.3 per cent) in respect of which irrevocable undertakings to accept the offer have been given.

## J. Halstead to buy Conway Trailers assets

James Halstead (Holdings) has reached agreement with the receiver of Conway Trailers for the purchase of stock, plant, machinery and motor vehicles, together with post-receivership current assets.

Conway is engaged in the manufacture, distribution and sale of Conway trailer tents. The company is trading profitably, but was put into receivership as it was unable to meet the liabilities of a cross guarantee of its parent company.

A separate agreement has also been reached with the receiver of this Kendal Holdings the parent of Conway for the purchase of 50 per cent of the capital of Kendalway Star (France) and the whole of this Europe BV (Holland) and Conway Trailers U.S.A. Inc. (Elkhart, Indiana).

The total consideration is £501,000 in cash payable on completion, which is estimated to be January 31 this year.

Owing to the appointment of a receiver, the latest audited figures available are for the year ended July 2, 1978, which show a pre-tax profit for Conway (after a management charge by this of £80,000) of £124,000 on a turnover of £1,538m.

The current level of activity is however significantly ahead of these figures. The benefits which are expected to accrue to Halstead should be further profitable growth resulting from a larger involvement in the leisure industry, the directors say.

## YELVERTON

Yelverton Investments has completed the acquisition of Yelverton for £250,000, satisfied by the issue at par of 580,000 ordinary 5p shares.

Portdrake is an investment company with interests in the energy and mineral sectors; its assets consist entirely of quoted investments. Portdrake (as subsidiary of Yelverton Investments) has completed the acquisition of Yelverton for £250,000, satisfied by the issue at par of 580,000 ordinary 5p shares.

Yelverton has warranted that the net asset value of its group (wholly owned subsidiary Target Life) will be not less than £40,000 at October 31, 1980.

## Cray Electronics share quotation suspended

Shares of Cray Electronics were suspended yesterday because discussions are in an advanced stage for the transfer of ownership of its parent company, Capital for Industry.

Capital for Industry, a member of the Grindlays Bank group, owns 71 per cent of Cray, which last year sold three-quarters of its J. and S. Pumps subsidiary to VME-Stock of Holland for £500,000 cash.

Cray's shares were suspended at 35p each at its own request. Cray is the only quoted member of Capital, which has six subsidiaries. Reflecting the impact of the recent engineering strike, pre-tax profits of Cray dropped from £255,000 to £234,000 in the six months to October 31, 1979.

Turnover for the period rose from £5.2m to £5.3m and despite the uncertainty of the economic situation, the order book continues to be healthy. Stated earnings per 10p share slipped from 1.25p to 1.09p, but the interim dividend is kept at 0.57p net—last year's total was 1.72p on profits, before tax, of £730,000.

Tax for the six months took £116,000 (£132,600), but including an extraordinary credit of £417,000 this time, arising on the sale of the interest in J. and S. Pumps, attributable surplus

jumped from £122,400 to £225,000.

## DAWNAY DAY APPROVAL

The Secretary of State for Trade has approved the change of control of Target Life Assurance Company (a wholly owned subsidiary of Target Life), part of the Dawnay Day Group.

This change involves Rothschild Investment Trust and its managing director, Orient and General Investments (as subsidiary of RIT), Home Investment Trust, St. Swithin's Lane Investments and Reliance Group, becoming controllers of Target Life.

The offer for Dawnay Day has become unconditional and the proposal relating to the Dawnay convertible stock is effective. At January 18, acceptance had been received in respect of 94 per cent of the Dawnay ordinary shares. The offer will remain open and the balance will be compulsorily acquired in due course.

## BORTHWICK BUYS 17 JAMES BLUE SHOPS

Thomas Borthwick and Sons and James Blue have reached agreement, subject to contract, that Borthwick will purchase for cash the capital of the James Blue Group comprising James Blue and Kelday Butchers.

The James Blue Group operates 17 retail butchers shops, mainly in the North-West London area.

The purchase is expected to be completed early next month when further details will be announced.

It is intended that the operation will be integrated with Matthews Butchers, a wholly-owned subsidiary of Borthwicks.

## COWIE/EWER

Motor dealer T. Cowie is now a whisker away from having to make a bid for George Ewer, the motor coach operator in which it has lifted its stake to 29.99 per cent, just below the level at which the Takeover Code requires a formal offer.

Cowie, which is based in Sunderland, first bought over a quarter of the Ewer share last August from Vivier Investments for £1.84m. Commenting on the latest acquisition of a further 400,000 shares, Mr. Andrew Cowie, a director, said: "It's an investment and likely to stay that way."

## WATMOUGHS

Mr. D. R. Hobbs has disposed of his non-beneficial interest in 665,529 ordinary (13.37 per cent) previously reported on January 19, as being acquired. This follows his resignation as a trustee of family trusts.

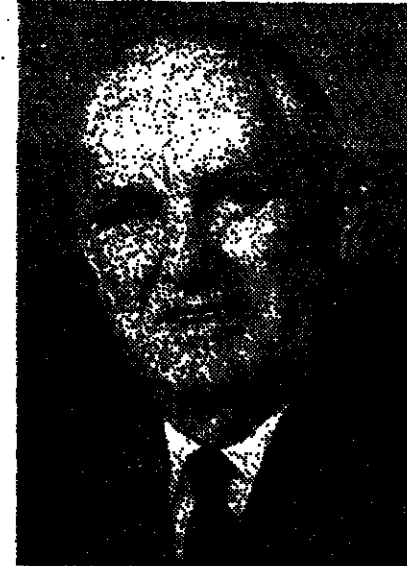
Mr. J. R. Watmough (as trustee) has acquired a non-beneficial interest in 129,344 ordinary (2.59 per cent) and Mr. A. D. Baxter (as trustee) has acquired a non-beneficial interest in 200,495 ordinary (4.01 per cent).

## SHARE STAKES

Waring and Gallow (Holdings) Mrs. V. F. Pomerance, wife of R. Pomerance, director, has sold 35,000 shares at 116p on January 19.

London and Scottish Marine OJ—Mr. R. E. Fox, who recently joined the Board, holds 218,500 ordinary.

# HIGHLIGHTS FROM THE CHAIRMAN'S ADDRESS. AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED.



Sir Ian McLennan, KCMG, KBE.

Addressing shareholders at the 11th Annual General Meeting in Melbourne on January 21, the Chairman, Sir Ian McLennan, highlighted these points:

## 1978-1979 RESULTS

All sections of the Group contributed to the record profit of \$4107.1 million. The Trading Bank accounted for 47.3% of the profit, compared with 36.4% in 1977-78.

The 1978-79 dividend distribution will increase to \$A29.1 million.

## STAFF PROFIT SHARING AND SHARE PURCHASE SCHEMES

An initial profit sharing distribution of \$A5.26 million, or 4.9% of the Group profit, has been made to staff. The extent of any future allocation will vary from year to year, depending on results. The proposed Staff Share Purchase Scheme also incorporates an incentive for staff to work towards improving the Group's results.

## BANK OF ADELAIDE

Directors are confident ANZ and the Bank of Adelaide will form a successful partnership, particularly in South Australia, where we are now the dominant banking group.

## INTERNATIONAL DEVELOPMENTS

The official opening of our new Singapore branch will take place later this week. ANZ is to become the first bank with a local equity stake held by New Zealanders, who are to be offered 25% of the capital of the new company, ANZ Banking Group (New Zealand) Ltd. The New York and Los Angeles agencies have continued to expand. Our London operations continue to make a worthwhile profit contribution.

## INQUIRY INTO THE AUSTRALIAN FINANCIAL SYSTEM

We believe official controls on Australian banks should be relaxed, and that this deregulation should occur before there is any move to liberalise the policy on foreign banks operating in Australia.

## AUSTRALIAN ECONOMY

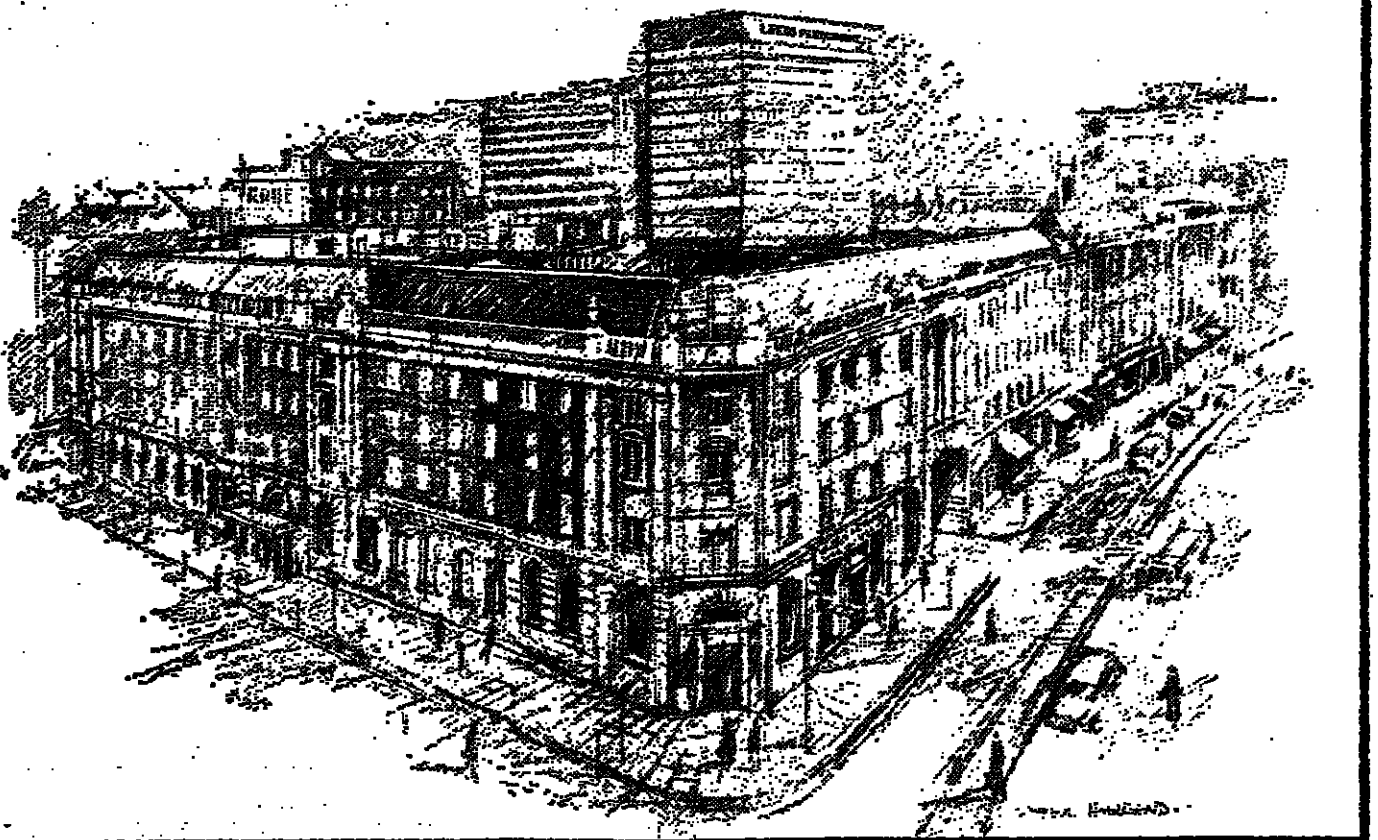
Despite the poor general outlook for world trade and economic growth, the prospects are that Australia will fare relatively well in 1979-80.



AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Incorporated in the State of Victoria, Australia limited liability

# 'The Leeds' - a demanding year.



Another year of continued progress—  
Total assets 17.44% higher at over £2,629 million.

"Difficulties in satisfying mortgage demand have continued to be the principal burden facing us," said Mr. J. Malcolm Barry, B.A., LL.B., President of the Leeds Permanent Building Society, at the Society's 131st Annual General Meeting.

"Recent comment about house price rises showing signs of slowing down comes only after some regions have recorded house price increases of over 30% in the year under review.

When the rate of interest paid to investors was increased on 1st August 1979, the corresponding increase in the rate charged to borrowers was deferred for five months.

This was financed partially by the reduction in the rate of income tax payable by the Society, and partially by pruning the working margin so severely that it did not even cover our modest management expenses."

Record investment and lending.  
"Despite the difficulties, we lent a record £576 million during the year, 39% off to first-time purchasers.

377,000 new investment accounts were opened, and investors' balances increased by £365 million.

Three contributing factors were:

(i) We extended the range of term share accounts, introducing 4 and 5 year High Return Term Shares, at a guaranteed differential premium rate, for sums as low as £500.  
(ii) 45 new branches were opened in the year. Branches

opened in the last two years, with their associated agents, produced well over £100 million gross investment receipts in the last twelve months alone.

(iii) The intentional reduction in liquidity to 17.93% of total assets, enabled the Society to provide an increased and consistent flow of mortgage funds, during a period of wide fluctuation in investors' receipts. Nevertheless, liquid assets at £471 million are £38 million higher than last year.

I thank Agents, Staff and the Board for their loyalty and support in a demanding year."

**The Leeds**  
PERMANENT  
BUILDING SOCIETY

Head Office: Permanent House, The Headrow, Leeds LS1 1NS.

Say 'the Leeds' and you're smiling.



Chairman and chief executive, John Perks, emphasised the following points when he spoke at the annual general meeting—

- Group expansion will continue and the recent acquisition of Henley Foundries and Jelson Electronics underlines this policy
- We are investing £2M, aimed at enhancing existing technologies and...
- ...providing funds for developments in electronics and other new technologies
- The order books for 1980 look satisfactory

## RESULTS - YEAR ENDED 29th SEPTEMBER

	1979	1978
Sales	£000s	£000s
Net assets	33,354	33,233
Profit before tax	11,724	10,046
	Pence	Pence
Earnings per share	12.08	5.29
Dividends per share (gross)	4.57	3.99
Net assets per share	62.01	53.13

Copies of annual report and accounts are available from: Concentric Limited, Colshill Road, Sutton Coldfield, West Midlands B75 7AZ.

## King & Shaxson

52 Cornhill, E2 3PD  
Gilt-Edged Portfolio Management  
Service Index 21.180  
Portfolio I Income Offer 82.77  
Bid 82.23  
Portfolio II Capital Offer 140.87  
Bid 140.08

## Alexanders

PLC COMPANY LIMITED

## Results for 1979

★ Subject to final audit, the balance of loss for the year after rebate and taxation and making transfers from Contingency and General Reserves amounted to £250,000. (1978—The balance after a transfer for Contingency Reserve amounted to a credit of £200,000).

★ After the transfer of £1,000,000 the General Reserve is £4,000,000 (1978—£5,000,000).

★ A final dividend of 11.501p per share (£562,000) on the £4,889,688 Issued Ordinary Capital is recommended. (1978—11.501p per share £589,000 on Capital £4,861,688). This makes a distribution for the year of £782,000 (1978—£778,000).

★ The balance of profit carried forward will be £421,000 (1978—£1,461,000).

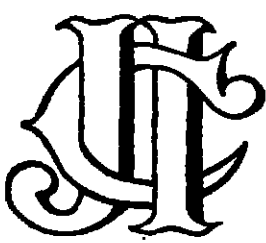
The fall in MLR early in the year enabled some profits to be made. However the two increases in June and November resulted in heavy depreciation and trading losses. These losses have been met by a reduction in both published and inner reserves. However, in view of the cyclical nature of the Company's business and the large retentions of previous years the Board has decided to maintain the final dividend at last year's level.

The Balance Sheet total at the year end was £468m (1978—£480m). Our bill holding was little changed at £387m (1978—£381m) but the total of bills under rediscunt was £820m (1978—£178m). Sterling CDs holding was only £8m (1978—£88m); our increased holding of Dollar CDs at £22m (1978—£7m) is a consequence of recently increased holding of Dollar CDs at £19m (1978—£25m). Local opening a New York office. The holding of Gilts was £19m (1978—£25m). Local Authority securities, all of which were of the floating rate type, were £42m (1978—£21m).

1 St. Swithin's Lane, London EC4N 8DN

TELEX 883126





# Rustenburg Platinum Holdings Limited

(Incorporated in the Republic of South Africa)

## Chairman's Review by Sir Albert Robinson

The thirty-third annual general meeting of the company will be held in the board room, Consolidated Building, corner of Fox and Harrison Streets, Johannesburg, at 09h30, on Wednesday, 30 January 1980.

**T**he financial results for the year under review are presented in the annual report. The company's revenue from the sale of metals was 63% higher than that of the 1978 financial year, partly as a result of larger sales volumes, but primarily because of substantially increased prices. In consequence, despite increasing production costs, group profits before tax increased to R180 million, which may be contrasted with the figures of R4.5 million and R34.3 million earned in the 1977 and 1978 financial years respectively.

Dividends declared during the year amounted to R25 million, a significant increase on the previous year's distribution of R17.5 million. The retained profits of R58.7 million—after tax and other sources of funds, principally provisions (R24.7 million) and a reduction of net working capital (R16.5 million)—were applied in the financing of capital expenditure (R47.2 million) and the repayment of fixed-term loans (R48.5 million). The conservative dividend payment was in accordance with the stated financial policy of the group, which is to conserve and strengthen its financial resources both to meet future contingencies and to be better able to withstand adverse changes in the market for its products should these occur. In view of the magnitude of these commitments and the presently unsettled state of the world economy, your directors consider it necessary to maintain a policy of modest dividend payments.

### Market Conditions

#### The Platinum Price

In little more than two years the Free Market price of platinum has risen from R150 to R620 per ounce, which is hardly maintained at the outset of the current financial year. It has since risen further and in early January of this year reached levels in excess of R800.

The initial impetus to this extraordinary movement was provided by a reduction in the flow of Russian metal to the West in late 1977, coupled with the reduction of South African output in response to poor demand and depressed prices. Further momentum was provided by the general recovery of the world economy, which resulted in an improved demand, and by the rapidly growing requirements of the U.S. automobile industry in consequence of the anti-pollution measures that had been instituted by the authorities of that country.

Latterly, however, the Free Market for platinum has become subject to the immense speculative forces that have been engendered by the unstable political, economic and monetary conditions prevailing world-wide. The worsening of the situation, the consequent transfer of wealth on an unprecedented scale to the three countries, the persistent tales of global inflation, the continuing erosion of major international currencies and, more recently, the Iranian revolution and the Russian involvement in Afghanistan, have fuelled a wave of irrational speculation for precious metals. The price on the Free Market has been driven to levels that are quite unjustifiable in terms of normal market considerations.

The past three years have witnessed a pronounced improvement in the fortunes of your company and of the South African platinum mining industry as a whole. The strong demand for platinum during this period has enabled us to reinstate previous levels of production, to institute plans for expanding capacity against firm contracts and, above all, to raise our published price progressively from R165 in 1976 to its current level of R420 per ounce.

#### Automobile Industry

During the year there was a material increase in the consumption of platinum by the automobile industries of the USA and Japan, with the result that these industries, taken together, now rank with the Japanese jewellery industry as the largest consumers of the metal. The group's sales of platinum to the automobile industry in the 1979 financial year were the highest ever achieved. Our sales for the first half of the current year, however, will be lower than those for the latter half of the year, the principal cause of this decline being the lower demand for new automobiles in the United States.

The automobile industry's demand for platinum naturally depends upon the number of vehicles it produces and the average loading of platinum per vehicle. The average loading in turn depends upon the emission control standards operative at a given time and on the size and type of vehicle produced. Both the decline in automobile production and the swing towards manufacture of smaller vehicles have thus reduced the automobile industry's platinum requirements for the time being. However, with the tightening of emission control requirements in the USA in model year 1981, which starts in mid-1980, there will be an increase in the platinum loading per vehicle and this, subject to the duration and severity of the US recession, should restore the automobile industry's demand to previous levels.

Copies of this Review and the Report and Accounts are obtainable from the London Secretaries, Harcourt Brothers Limited, 90 Bishopsgate, London EC2M 3EE.

On balance, I do not consider that the quantity of metal that the automobile industry will require during your company's present financial year will equal that for last year. Revenue from this source, however, will probably be of a similar order to the figure for last year because of the higher price at which sales will be effected. As regards the longer term, there is every reason to suppose that the industry's usage of platinum will increase. The impact of this increase on the demand for newly-mined platinum is difficult to assess as that will depend, inter alia, upon the quantum of metal that may be recovered from scrapped automobiles. The effect of such recycled material on the demand for newly-mined metal could be felt by the mid-1980's and consequently your company and its associates are continuing their efforts to stimulate additional demand for platinum by that time.

I would draw attention to the fact that, in line with the policy that I stated last year, the new contract for the supply of platinum group metals to the automobile industry, which was negotiated by your company during the year under review, incorporates pricing provisions and guarantees which justify committing the necessary capital expenditure.

#### Jewellery

The Japanese jewellery trade has long been a major consumer of platinum. It is interesting to note that during the past year the steadily rising and rapidly fluctuating price of the Free Market price has been accompanied by a decline in Japanese usage of platinum for jewellery purposes.

I should like to explain for the benefit of shareholders that the Japanese jewellery trade purchases the major portion of its platinum requirements at Free Market related prices and that the prices of its end-products are set accordingly. Its consumption of platinum and gold is influenced by the Free Market price of platinum and the gold price and also by the degree of variability of these prices. Market fluctuations in these prices tend to discourage purchases of the metals and encourage the running down of stocks, as in such circumstances the trade counts the risk of substantial losses. Also, the trade is deterred from buying platinum when the differential between the Free Market price of platinum and the gold price becomes excessive. It is therefore a matter of concern that the Free Market price of platinum continues to fluctuate widely at very high levels.

With an eye to the future, your company has continued to promote the usage of platinum for jewellery purposes in Japan, with the welcome support and collaboration of the Japanese jewellery trade. Furthermore, the campaigns to promote platinum in jewellery in the United Kingdom and West Germany are being pursued vigorously and have attracted a response that gives us hope that in due course our efforts will bring about an increase in demand for the metal. I emphasised in my review for 1977 that it was in the long-term interest of your company that we continue our endeavours in this direction. This is still our view and accordingly we plan to spend about R55 million on promotional campaigns during the calendar year 1980.

#### Base Metals

Some 50% of the nickel and copper content of the ore produced by the group is sold in the form of a nickel-copper concentrate to Amax Nickel Inc. in terms of a contract entered into some years ago. This arrangement stems from the fact that the base metal treatment capacity of Matthey Rustenburg Refiners is less than the mines' output of these metals. In September last year Amax declared force majeure as a result of a strike whose likely duration cannot be assessed at this stage and in consequence our deliveries of nickel-copper concentrate to Amax have been curtailed. Our efforts to find alternative outlets for disposing of this concentrate have not yet met with success and, even if we do succeed, group revenue from nickel and copper will be materially affected during this financial year. However, revenue from platinum group metals will not be jeopardised.

The imbalance between the base metal capacities of the mines and of Matthey Rustenburg Refiners should be corrected by the end of 1981, when the latter's new nickel-copper refinery, now under construction at an estimated cost of R56 million, is scheduled to reach full production. It is expected that this plant will produce refined nickel and copper at a substantially lower cost than is the case at present.

#### Outlook for the Current Financial Year

To date, sales of most of the company's metals are running ahead of last year's levels and, in most instances, are being effected at appreciably higher prices. The outlook for the remainder of the period is uncertain, however, for the reasons I have outlined in this review. Present indications are that the increased producer price for platinum of R420, instituted along with higher prices for certain other platinum group metals last December, can be maintained even if the Free

Market price of the metal experiences a downward correction. On balance, therefore, there are grounds for expecting group profits for the current financial year to be higher than those for the preceding year.

#### Possible Future Mining Operations

As reported in the latest Directors' Review, your company is continuing its exploration of various portions of the Bushveld Igneous Complex. This work is being carried out as part of an on-going evaluation of possible future mining areas. While this process of evaluation embraces the whole spectrum of platinum-bearing ore, particular emphasis is being placed on the so-called Merensky Platreef of the Pongolaland district, which was originally mined in the 1920's. Prospecting results to date indicate that this area has the potential for supporting a major new platinum, nickel-copper mine.

The indications are that this wide orebody might be exploitable by open-cast methods at working costs that may well be substantially lower than those of conventional underground mining. However, much work remains to be done in evaluating this deposit, particularly since its metallurgical characteristics differ from those of our current operations. Rustenburg is indeed fortunate to have control of this highly promising prospect.

#### Employment Policy and Practices

Southern Africa stands on the threshold of major political and social progress. If the realisation of the region's great potential is not to be stifled by the acute shortage of skilled manpower that is now evident, radical new departures in employment practices, such as those envisaged in the reports of the Wiehahn and Riekert Commissions, will have to be implemented. Your company's policy, in common with that of other members of the mining industry, is to improve job opportunities for all of its employees, irrespective of race or colour, by training and development programmes that will enable them to fulfil their potential. To this end, we are working towards the creation of a uniform scale of salaries based on occupation categories in terms of which employees, regardless of race, will receive equal pay for work of equal value. In pursuing this policy we shall continue to collaborate with the Council of Mining Unions and the Officials' Associations and also with the Governments of Botswana, Swaziland and South Africa in order to effect meaningful changes in an orderly fashion.

The South African Government is to be commended for the initiative it is showing in paving the way for the changes that are essential to the continued prosperity and progress of all the peoples of the Southern African region. While it would be idle to pretend that these changes are greeted with equal enthusiasm in all quarters, I venture to say that a favourable consensus is emerging. It is of the utmost importance that the adaptation to new working relationships should proceed as harmoniously as possible and accordingly I would reiterate the plea, which I made in my previous review, for a constructive and positive attitude on the part of all concerned.

#### Directorate

During the year under review Messrs R.S. Lawrence, A.C. Petersen and P.E. Retief resigned from the Board, which wishes to place on record its deep appreciation of their invaluable contributions to the affairs of the group over many years. The vacancy occasioned by Mr Retief's resignation was filled by the appointment to the Board of Mr H. Scott-Russell. With effect from 8 November 1979, Mr B.A. Smith relinquished his appointment as Deputy Chairman of the company in order to devote his attention to other duties within the MCI group. I should like to pay tribute to Mr Smith for his outstanding services to your company during his tenure of office as Deputy Chairman. Mr Smith will remain a member of the Board.

Mr G. H. Waddell, Deputy Chairman of Johannesburg Consolidated Investment Company Limited, became a member of the Board on 8 February 1978. With effect from 1 January 1980, he has been appointed Deputy Chairman of your company and a member of the Executive Committee.

#### General

I wish to record our appreciation of the excellent technical, research and marketing services provided by Johnson Matthey & Co. Limited, our sole marketing agents. I would also thank our customers throughout the world for their continued support.

To the Mine Managers, Consulting Engineers, Secretaries and all the staff and employees at the mines and at Head Office, my sincere thanks for their loyal and efficient services during the past year.

Johannesburg  
21 January 1980

For the Board: Sir Albert Robinson, Chairman

Companies and Markets

## MINING NEWS

# Rustenburg's 'modest' dividend policy

BY KENNETH MARSTON, MINING EDITOR

A MIXED reception may be accorded to Sir Albert Robinson's latest chairman's review of the affairs of South Africa's Rustenburg Platinum Holdings. On the one hand, for example, he anticipates a fresh rise in earnings for the current year to August 31 but on the other he warns that it is "necessary to maintain a policy of modest dividend payments."

Sir Albert is concerned about the runaway rise in platinum prices which, on the free market are currently over \$900 per ounce compared with the "fixed" producer price of \$420 presently quoted by the South African producers. Rustenburg and Impala Platinum. He points out that free market prices "are quite unjustifiable in terms of normal market conditions."

The largest consumers of platinum are the U.S. and Japanese automobile industries—which use the metal in exhaust emission control devices—and the Japanese jewellery industry. As is already happening in gold and diamonds elsewhere, the Japanese jewellery industry is now running into price resis-

tance from its customers. The Japanese jewellery trade buys its platinum at the high free market prices and sets its own end-product prices accordingly. This is particularly irksome for Rustenburg which sells its platinum at the lower producer price but faces a fall in demand as a result of the high prices enjoyed by others—especially as Rustenburg plans to spend about R8.5m (£3.5m) on jewellery promotional campaigns this year.

Demand for platinum from the automobile industry has declined in line with reduced production of motor cars and the trend towards making smaller models. However, Sir Albert reckons that this demand will be restored by the tightening of U.S. emission control requirements this year and he expects increased usage of the metal in the longer term.

Also with the long term in mind, Sir Albert discloses that prospecting work on the Merensky Platreef in the Pongolaland district, which was originally mined in the 1920s, has outlined a potentially major platinum-nickel-copper

mine which could be mined by relatively low cost open-cast methods. Meanwhile, more evaluation work remains to be done.

#### Comment

The political and economic factors which have boosted the price of gold to record levels have been also at work in platinum and Sir Albert's concern about the market impact of the inflated price of platinum jewellery—which is dearer than that of gold—is fully understandable. But whereas the gold mines can countenance a sharp setback in the price of their metal and still offer high earnings and dividend yields, Rustenburg has not enjoyed the full benefit of the platinum price boom but stands to suffer from its impact on consumer demand. Although Rustenburg is still making high earnings, its shares, with a yield of only 3.3 per cent, are discounting a major increase in dividends which now seems unlikely in view of Sir Albert's remarks. On this basis the shares at 320p are clearly over-priced in relation to the good-class gold issues.

## WMC stymied on BH South bid

WESTERN MINING Corporation, the Australian mining group, has given up hope of gaining complete control of BH South, the Melbourne mining and investment house, but will have a majority holding. BH South will remain a listed company.

The plan to sell a number of BH South's assets, including its 20 per cent stake in Kambria Coal and Coke, to Comrade Rietveld of Australia, will go ahead.

All of this emerged from a WMC statement yesterday. It said that WMC's share and cash offer for BH South would not be extended beyond its January 31 expiry date and that the full objective of acquiring all BH South shares cannot be achieved.

CTB Nominees, which covers the Commonwealth Trading Bank pension fund, holds 15.3 per cent of BH South and rejected the WMC bid last December. It has not modified its stand.

Subject to the approval of BH South shareholders, however, WMC is to recommend that the sale to CRA should go ahead of the company's stake not only in Kambria Coal, but also in Electrolytic Refining and Smelting (40 per cent), Metal Manufacturers (19.4 per cent), Kambria Mines (51 per cent) and Cobalt Mines (100 per cent). This means that CRA's plan to build up its 50 per cent stake in Kambria Coal to outright ownership is now within sight. In a separate transaction it has agreed to buy North BH's 30 per cent in Kambria.

But production is unlikely to be significantly higher, bearing in mind the fact that the South African mines are required by their lease terms to extract lower grade ore when this is made profitable by high prices, thus extending their working lives.

## S. African gold output eases

SOUTH AFRICA'S gold production fell slightly last year but was still a little above the 1977 total which was the lowest for 18 years. Figures released by the South African Chamber of Mines show that the December 1979 output amounted to 1,912,567 troy ounces making a year's total of 22,613,000 ozs, or 703.3 tonnes compared with 704.5 tonnes in 1978 and 700 tonnes in 1977.

The value of last year's production, based on an average gold price of around \$300 an ounce, would have amounted to some \$6.78bn (£2.97bn). South Africa accounts for about half the total world production of the metal: the other main source being the Soviet Union.

Gold sales made by the Soviet bloc in 1978 amounted to about 410 tonnes and are thought to have fallen to around 250 tonnes in 1979.

Clearly, if gold prices stay at anywhere near their current levels—bullion closed at \$325 yesterday—South Africa's gold revenue will show an even more impressive advance this year.

But production is unlikely to be significantly higher, bearing

## High profit at Mary Kathleen

MARY KATHLEEN, Australia's only uranium producer, had record profits last year, but is paying no dividend. Earnings for the current year will be substantially lower.

Net profits in 1979 were A\$17.34m (£3.4m), compared with A\$707,000 in 1978. Mary Kathleen announced yesterday. The company paid no tax last year, but tax allowances worth at one stage A\$23.37m will be worked out early this year. It will be substantially lower than the profits after taxation in 1980 and for the remaining life of the mine, the company said.

This fact, coupled with a debt load of A\$20m, raised in 1977 from the Commonwealth Government and Comrade Rietveld of Australia, explains why there is no dividend payment.

Last year, in any case, Mary Kathleen had to meet payments out of net profits totalling A\$12.78m to cover interest on borrowings at A\$2.5m, more than five times the amount paid in 1978, of A\$2.1m. The company's major shareholder, Queensland Government royalties of A\$1.1m.

## OIL AND GAS NEWS

# Canadian Hunter will spend C\$27m on B.C. exploration

CANADIAN HUNTER Exploration, the oil and gas exploration unit of Canada's Noranda Mines, has won, by sealed bid, the right to explore a total of almost 2m hectares (4.9m acres) in the Nechako Basin of central British Columbia, reports John Seganich from Toronto.

The winning bid represents a commitment by Hunter to spend C\$27.5m (£10.4m) on drilling and seismic work over five years for an average of \$5.75 an acre. Seismic surveys will begin immediately.

The Nechako Basin is described as one of the many remnant structural basins of the cretaceous sea which extended from the Arctic to the Gulf of Mexico.

Only a few cretaceous basins, in remote areas of the north, are unexplored. All others, from Alaska to Mexico, are producing major quantities of oil and gas.

The Nechako is little known because of a cover of volcanics, but it has large structures and a maximum sediment thickness of 20,000 feet of marine cretaceous rocks.

The basin is west of Williams Lake, British Columbia. Its southern boundary is crossed by a highway, while the Westcoast Gas Pipeline lies along its eastern edge.

Bruswick Oil NL, the West Australian oil exploration concern, which is listed on the Sydney and Melbourne Stock Exchanges, is seeking to acquire 100 per cent ownership of 4.8m acres of prospective oil areas in the Browse Basin, offshore Western Australia.

Bruswick has negotiated an option to purchase Oberon Oil, a private company which holds Petroleum Exploration Permits WA 104P and EP 106. Terms of the offer are A\$4.8m payable in a mixture of cash and shares.

Options were carried out last year identified a number of anomalous areas with geological structures. Two international firms of consultants, Layton and Robertson Research, who were involved in the evaluation of the prospects, have independently reported recommending drilling of two structures which are in water depths of less than 100 metres.

Permits immediately to the north are currently being explored by Woodside Petroleum. Bruswick is currently undertaking negotiations for the financing of the acquisition and its immediate work commitments.

## 99 companies wound up

COMPULSORY WINDING up orders were made against 99 companies by Mr Justice Dillon in the High Court yesterday. They were from various parts of the country. A.C.T. Commercial, Cornforth Auto Spares, V. I. Wood (Contractors), Kamal Ransinghe Co., Iracund, Presto European Transport, M. J. S. Footwear, Toronto Shopping, Instant Foods Vendors, Parkside Joinery, Lowrie Engineering Company, A. B. Seymour (Imports), Phytoid (Haulage Contractors), Faranid, Focus Fair, W. J. Scaling, Lendell, Audlem Motors, Peak Rubber and Plastics, Sam Foster (Solid Fuels), Pennine Press Knives, Cobra Supafarm, P. H. Cooper and Co., Day and Sons (Nagging), Penmount Products (Rosedale), Vintage Wines and Spirits Consultants, Bracey Gardens, Goldbourne Development Company, Dewlet, Almers Country Estates, Hardman Maraden and Co., Lammox, G. A. Byard, Hall House Aquadine, Benton and District Social Club, Concessionaire Catering, A. J. M. Interiors, Stonecraft Jewellery, Smith's Car Hire, Electricians Supplies (Swansea), Ervin and Son, Helencombe, Holbeckford, J. C. Langton Investments, Leroch, Southome, Barmerglow, The Albert Line, Brabner Land (Promotions), Stuart Heynes (Contractors), Brentford Insurance Brokers, Gearpalm, Sheppard Plastering, Waterbury, E. I. C. Interior Improvements, Ealing Plasterers, Directors' Management Participation, Ark Shipping and Trading (London), Goodville, Suncaze, Aubrey Hambrogs, Adair Pharmacy, A. R. Homes, Barnes Properties, Celestial Garden Restaurant Company, Portador Enterprises, Parker and Norton (Development), Condit, Heroncholes, Ior, John Curtis Electrical, Tryon Joinery, Villal Properties, Origin Gallery, Millbrook Properties.

A compulsory winding up order made on January 14 against Trocraff was rescinded and the petition dismissed by consent.

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Currencies and Markets

# Pound improves

STERLING improved in currency markets yesterday, with demand exceeding current interest in the UK Government's new gilt-edged stock. On a trade-weighted basis, its index rose to 72.3, its best level since early August last year, and compared with Friday's close at 71.9. Against the dollar, the pound opened at \$2.2825 and rose to a high of \$2.2960. During the afternoon, however, demand fell away and it fell back to close at \$2.2850-2.2855, a loss of 15 points. Sterling's weaker performance later in the day against the dollar was probably a reflection of dollar support given by the U.S. Federal Reserve Bank.

In a reverse trend to the spot market, forward sterling was weaker. One-month forward sterling widened to 100c pm, from 97c pm, and three-month to 105c pm, from 100c pm.

Trading in the U.S. dollar was generally featureless, although continued unrest in the Middle East and developments in Yugoslavia precluded any natural improvement. Nevertheless, the Fed's first intention to maintain a stable currency helped the dollar finish at its best level for the day. Against the D-mark it finished at DM 1.7295 against DM 1.7235 and SWFR 1.6015 from SWFR 1.5910 in terms of the Swiss franc. The U.S. dollar was firmer against the Japanese yen, rising to ¥241.10 from ¥239.80. On Bank of England figures, its trade-weighted index rose to 84.9 from 84.7.

D-MARK—Very strong, and showing a tendency to rise with the European Monetary System. The D-mark lost a little ground at the fixing against the other EMS members, with the exception of the Irish punt. The Belgian franc was bought at DM 6.159 per BFR 100 compared with DM 6.152 and the French franc was firmer at DM 42.695 per FFR 100 from DM 42.68. Sterling rose quite sharply to DM 3.9580 from DM 3.9330, and the dollar edged higher to DM 1.7275 from DM 1.7245. Trading was generally at a low level, with little in the way of fresh news to affect currency movements.

FRENCH FRANC—Strongest member of the EMS since late December. The franc last ground against sterling, the U.S. dollar and all its EMS partners yesterday. Sterling rose at the fixing to FFR 2.3715 from FFR 2.3220 and the dollar was firmer at FFR 4.0450 compared with FFR 4.0382. The D-mark rose to FFR 2.3419 and the Belgian franc was quoted higher at FFR 14.4250 against FFR 14.4170.

DANISH KRONE—Basically weak, suffering two devaluations since EMS began last March—1980 and 1981. The D-mark improved against the Danish krone, the D-mark rose to Dkr 3.1255 from Dkr 3.1245 and the French franc rose to Dkr 1.3361 from Dkr 1.3350. Elsewhere sterling rose to Dkr 12.3650 from Dkr 12.3005, and the dollar improved to Dkr 5.3965 from Dkr 5.3535.

ITALIAN LIRA—Steadier recently after falling from the top of the EMS last November. The lira showed a general improvement at yesterday's fixing. Western currencies within the EMS included the D-mark at L466.40 against L466.40 and the Irish punt at L1.7275 compared with L1.7370.

## THE POUND SPOT AND FORWARD

Jan. 21	Day's Spread	Close	One month	% Three months	% p.a.
U.S.	2.2850-2.2855	2.2850-2.2855	1.05-0.85 pm	5.25-2.00-1.50 pm	3.41
Canada	2.2850-2.2855	2.2850-2.2855	1.05-0.85 pm	5.25-2.00-1.50 pm	3.41
Switzerland	4.34-4.35	4.34-4.35	3/4-2 1/4 pm	8.25-7 1/4-6 1/4 pm	6.18
Belgium	33.55-34.10	33.55-34.10	30-25 pm	4.55-4.45 pm	3.54
Denmark	12.30-12.35	12.30-12.35	4 1/2-4 3/4 pm	3.65-3 1/4 pm	4.06
Ireland	1.0450-1.0700	1.0500-1.0550	par-10p dia	-0.55-0.10-0.20 dia	-0.55
Portugal	113.50-114.00	113.50-114.00	20-25 pm	1.10-1 1/4 pm	1.76
Spain	150.75-151.40	150.80-150.90	35c pm-10 dia	0.70-20p-30dia	-0.78
W. Ger.	1.53-1.57	1.53-1.57	4 1/2-4 3/4 pm	3.65-3 1/4 pm	4.06
Italy	1.53-1.57	1.53-1.57	4 1/2-4 3/4 pm	3.65-3 1/4 pm	4.06
Norway	11.21-11.24	11.21-11.24	8 1/2-8 3/4 pm	5.4-5 1/4 pm	5.98
France	3.24-3.25	3.24-3.25	6 1/2-6 3/4 pm	7.75-11 1/4 pm	4.06
Sweden	4.95-5.02	4.95-5.02	5 1/2-5 3/4 pm	5.70-10 1/4 pm	4.92
Japan	241.10-241.20	241.10-241.20	30-20p pm	12.30-12.50 pm	8.73
Austria	3.97-3.97	3.97-3.97	5-6 pm	10.75-11 1/4 pm	11.47
Switzerland	3.97-3.97	3.97-3.97	5-6 pm	10.75-11 1/4 pm	11.47

## THE DOLLAR SPOT AND FORWARD

Jan. 21	Day's Spread	Close	One month	% Three months	% p.a.
U.S.	2.2850-2.2855	2.2850-2.2855	1.05-0.85 pm	5.25-2.00-1.50 pm	3.41
Canada	2.2850-2.2855	2.2850-2.2855	1.05-0.85 pm	5.25-2.00-1.50 pm	3.41
Switzerland	4.34-4.35	4.34-4.35	3/4-2 1/4 pm	8.25-7 1/4-6 1/4 pm	6.18
Belgium	33.55-34.10	33.55-34.10	30-25 pm	4.55-4.45 pm	3.54
Denmark	12.30-12.35	12.30-12.35	4 1/2-4 3/4 pm	3.65-3 1/4 pm	4.06
Ireland	1.0450-1.0700	1.0500-1.0550	par-10p dia	-0.55-0.10-0.20 dia	-0.55
Portugal	113.50-114.00	113.50-114.00	20-25 pm	1.10-1 1/4 pm	1.76
Spain	150.75-151.40	150.80-150.90	35c pm-10 dia	0.70-20p-30dia	-0.78
W. Ger.	1.53-1.57	1.53-1.57	4 1/2-4 3/4 pm	3.65-3 1/4 pm	4.06
Italy	1.53-1.57	1.53-1.57	4 1/2-4 3/4 pm	3.65-3 1/4 pm	4.06
Norway	11.21-11.24	11.21-11.24	8 1/2-8 3/4 pm	5.4-5 1/4 pm	5.98
France	3.24-3.25	3.24-3.25	6 1/2-6 3/4 pm	7.75-11 1/4 pm	4.06
Sweden	4.95-5.02	4.95-5.02	5 1/2-5 3/4 pm	5.70-10 1/4 pm	4.92
Japan	241.10-241.20	241.10-241.20	30-20p pm	12.30-12.50 pm	8.73
Austria	3.97-3.97	3.97-3.97	5-6 pm	10.75-11 1/4 pm	11.47
Switzerland	3.97-3.97	3.97-3.97	5-6 pm	10.75-11 1/4 pm	11.47

## CURRENCY RATES

Jan. 21	Bank Rate	Special Rate	European Unit	Jan. 21	Bank Rate	Special Rate	European Unit
U.S.	1.7295	1.7295	1.7295	U.S.	1.7295	1.7295	1.7295
Canada	1.7295	1.7295	1.7295	Canada	1.7295	1.7295	1.7295
Switzerland	4.34	4.34	4.34	Switzerland	4.34	4.34	4.34
Belgium	33.55	33.55	33.55	Belgium	33.55	33.55	33.55
Denmark	12.30	12.30	12.30	Denmark	12.30	12.30	12.30
Ireland	1.0450	1.0450	1.0450	Ireland	1.0450	1.0450	1.0450
Portugal	113.50	113.50	113.50	Portugal	113.50	113.50	113.50
Spain	150.75	150.75	150.75	Spain	150.75	150.75	150.75
W. Ger.	1.53	1.53	1.53	W. Ger.	1.53	1.53	1.53
Italy	1.53	1.53	1.53	Italy	1.53	1.53	1.53
Norway	11.21	11.21	11.21	Norway	11.21	11.21	11.21
France	3.24	3.24	3.24	France	3.24	3.24	3.24
Sweden	4.95	4.95	4.95	Sweden	4.95	4.95	4.95
Japan	241.10	241.10	241.10	Japan	241.10	241.10	241.10
Austria	3.97	3.97	3.97	Austria	3.97	3.97	3.97
Switzerland	3.97	3.97	3.97	Switzerland	3.97	3.97	3.97

## CURRENCY MOVEMENTS

Jan. 21	Bank Rate	Special Rate	European Unit	Jan. 21	Bank Rate	Special Rate	European Unit
U.S.	1.7295	1.7295	1.7295	U.S.	1.7295	1.7295	1.7295
Canada	1.7295	1.7295	1.7295	Canada	1.7295	1.7295	1.7295
Switzerland	4.34	4.34	4.34	Switzerland	4.34	4.34	4.34
Belgium	33.55	33.55	33.55	Belgium	33.55	33.55	33.55
Denmark	12.30	12.30	12.30	Denmark	12.30	12.30	12.30
Ireland	1.0450	1.0450	1.0450	Ireland	1.0450	1.0450	1.0450
Portugal	113.50	113.50	113.50	Portugal	113.50	113.50	113.50
Spain	150.75	150.75	150.75	Spain	150.75	150.75	150.75
W. Ger.	1.53	1.53	1.53	W. Ger.	1.53	1.53	1.53
Italy	1.53	1.53	1.53	Italy	1.53	1.53	1.53
Norway	11.21	11.21	11.21	Norway	11.21	11.21	11.21
France	3.24	3.24	3.24	France	3.24	3.24	3.24
Sweden	4.95	4.95	4.95	Sweden	4.95	4.95	4.95
Japan	241.10	241.10	241.10	Japan	241.10	241.10	241.10
Austria	3.97	3.97	3.97	Austria	3.97	3.97	3.97
Switzerland	3.97	3.97	3.97	Switzerland	3.97	3.97	3.97

## OTHER MARKETS

Jan. 21	Bank Rate	Special Rate	European Unit	Jan. 21	Bank Rate	Special Rate	European Unit
U.S.	1.7295	1.7295	1.7295	U.S.	1.7295	1.7295	1.7295
Canada	1.7295	1.7295	1.7295	Canada	1.7295	1.7295	1.7295
Switzerland	4.34	4.34	4.34	Switzerland	4.34	4.34	4.34
Belgium	33.55	33.55	33.55	Belgium	33.55	33.55	33.55
Denmark	12.30	12.30	12.30	Denmark	12.30	12.30	12.30
Ireland	1.0450	1.0450	1.0450	Ireland	1.0450	1.0450	1.0450
Portugal	113.50	113.50	113.50	Portugal	113.50	113.50	113.50
Spain	150.75	150.75	150.75	Spain	150.75	150.75	150.75
W. Ger.	1.53	1.53	1.53	W. Ger.	1.53	1.53	1.53
Italy	1.53	1.53	1.53	Italy	1.53	1.53	1.53
Norway	11.21	11.21	11.21	Norway	11.21	11.21	11.21
France	3.24	3.24	3.24	France	3.24	3.24	3.24
Sweden	4.95	4.95	4.95	Sweden	4.95	4.95	4.95
Japan	241.10	241.10	241.10	Japan	241.10	241.10	241.10
Austria	3.97	3.97	3.97	Austria	3.97	3.97	3.97
Switzerland	3.97	3.97	3.97	Switzerland	3.97	3.97	3.97

## EMS EUROPEAN CURRENCY UNIT RATES

Jan. 21	Bank Rate	Special Rate	European Unit	Jan. 21	Bank Rate	Special Rate	European Unit
U.S.	1.7295	1.7295	1.7295	U.S.	1.7295	1.7295	1.7295
Canada	1.7295	1.7295	1.7295	Canada	1.7295	1.7295	1.7295
Switzerland	4.34	4.34	4.34	Switzerland	4.34	4.34	4.34
Belgium	33.55	33.55	33.55	Belgium	33.55	33.55	33.55
Denmark	12.30	12.30	12.30	Denmark	12.30	12.30	12.30
Ireland	1.0450	1.0450	1.0450	Ireland	1.0450	1.0450	1.0450
Portugal	113.50	113.50	113.50	Portugal	113.50	113.50	113.50
Spain	150.75	150.75	150.75	Spain	150.75	150.75	150.75
W. Ger.	1.53	1.53	1.53	W. Ger.	1.53	1.53	1.53
Italy	1.53	1.53	1.53	Italy	1.53	1.53	1.53
Norway	11.21	11.21	11.21	Norway	11.21	11.21	11.21
France	3.24	3.24	3.24	France	3.24	3.24	3.24
Sweden	4.95	4.95	4.95	Sweden	4.95	4.95	4.95
Japan	241.10	241.10	241.10	Japan	241.10	241.10	241.10
Austria	3.97	3.97	3.97	Austria	3.97	3.97	3.97
Switzerland	3.97	3.97	3.97	Switzerland	3.97	3.97	3.97

## EXCHANGE CROSS RATES

Jan. 21	Bank Rate	Special Rate	European Unit	Jan. 21	Bank Rate	Special Rate	European Unit
U.S.	1.7295	1.7295	1.7295	U.S.	1.7295	1.7295	1.7295
Canada	1.7295	1.7295	1.7295	Canada	1.7295	1.7295	1.7295
Switzerland	4.34	4.34	4.34	Switzerland	4.34	4.34	4.34
Belgium	33.55	33.55	33.55	Belgium	33.55	33.55	33.55
Denmark	12.30	12.30	12.30	Denmark	12.30	12.30	12.30
Ireland	1.0450	1.0450	1.0450	Ireland	1.0450	1.0450	1.0450
Portugal	113.50	113.50	113.50	Portugal	113.50	113.50	113.50
Spain	150.75	150.75	150.75	Spain	150.75	150.75	150.75
W. Ger.	1.53	1.53	1.53	W. Ger.	1.53	1.53	1.53
Italy	1.53	1.53	1.53	Italy	1.53	1.53	1.53
Norway	11.21	11.21	11.21	Norway	11.21	11.21	11.21
France	3.24	3.24	3.24	France	3.24	3.24	3.24
Sweden	4.95	4.95	4.95	Sweden	4.95	4.95	4.95
Japan	241.10	241.10	241.10	Japan	241.10	241.10	241.10
Austria	3.97	3.97	3.97	Austria	3.97	3.97	3.97
Switzerland	3.97	3.97	3.97	Switzerland	3.97	3.97	3.97

## EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of					
Tens 14.15-14.25 per cent; one year 13.30-13.40 per cent.					
Jan. 21	sterling	U.S. dollar	Canadian Dollar	Dutch Guilder	Sw.
short term	82-82 1/4	18 1/4-14	12 1/2-12 1/2	11-11 1/4	
7 days' notice	19-19 1/4	12 1/2-14 1/2	12 1/2-12 1/2	11 1/4-11 1/4	
one month	18 1/2-19 1/2	12 1/2-14 1/2	12 1/2-12 1/2	11 1/4-11 1/4	
three months	17 1/2-17 1/2	14 1/2-14 1/2	12 1/2-12 1/2	11 1/4-11 1/4	
six months	16 1/2-16 1/2	14 1/2-14 1/2	12 1/2-12 1/2	11 1/4-11 1/4	
one year	15 1/2-15 1/2	12 1/2-12 1/2	12 1/2-12 1/2	10 1/2-11 1/4	
Long-term Eurodollar two years 12-12 1/2 per cent; three years 11 1/2-12 per cent					







## Companies and Markets

## INTERNATIONAL COMPANIES and FINANCE

## L'Oreal to create major new French drugs combine

BY TERRY DODSWORTH IN PARIS

**LARGE NEW** French pharmaceuticals group is being created by L'Oreal, the cosmetics company, by bringing together its interests in two manufacturers, Synthelabo and Metabio-Jouille.

The merger follows only a few months after the emergence of a group which was similarly developed out of the amalgamation of the activities of Elf Aquitaine, the oil company, in this area.

Both groups seem to have been responding in some degree to the need to reduce costs for pharmaceuticals and to government pressure to streamline the industry to help check the escalation of spending on the state medical services. At the same time, L'Oreal, one of the largest cosmetics manufacturers in the world, is aiming to develop the pharmaceuticals group.

L'Oreal's announcement came just after it took control of Metabio-Jouille, a company which was itself created through a merger only three years ago.

The plan is to integrate Metabio-Jouille's activities with those of Synthelabo, in which L'Oreal has a 50.6 per cent stake, to create a group with a turnover of about FF1.1bn (\$244m) in pharmaceuticals and FF1.5bn overall.

Total employment of the new company will be about 3,700, and it will be based in the French industry behind the interests of Rhone-Poulenc, the chemicals group, and Sanofi.

The two organisations brought together by L'Oreal seem to be largely complementary. Synthelabo, which has a turnover of FF1.65bn and a consolidated profit of FF1.31m, specialises in products for treatment of heart and arterial diseases. It also has a healthy business in hospital materials.

Metabio-Jouille, on the other hand, with a turnover of FF1.50m and profits of FF1.18m, has a more varied product line, including aspirin, drugs sold to the general public through chemists' shops and a range of veterinary, cosmetic and dietary items.

A new cross-frontier watch and clock manufacturing group, which will combine the interests of Matra of France and VDO of West Germany, is to be launched at the end of this month.

The creation of the company follows the elaborate reorganisation of Jaeger, the French vehicle instrumentation and watchmaking group in which VDO used to have the controlling stake. Under this restructuring, Matra also became a leading shareholder in Jaeger, holding half of a 51 per cent majority stake with VDO.

The French and German companies have now decided to extend the areas of common action to all their watch and clockmaking activities. This will mean bringing together a number of companies which have now been regrouped under Jaeger—Jaz, Yema, Beyard, and Garant—with the VDO interests in International Watch and Saphir.

## Earnings increase sharply at APM

By John Rogers in Sydney

**AN AGGRESSIVE** policy of expansion by takeover and penetration of foreign markets has enabled Australian Paper Manufacturers, the major pulp and paper group, to boost its interim earnings 80.7 per cent from A\$10.5m to A\$18.9m (\$US2.1m), in the half-year to December 31.

Group sales rose 34.5 per cent, from A\$233m to A\$314m (US\$349m), while pre-tax profit jumped from A\$14.1m to A\$31.2m.

The interim dividend is lifted from 4 cents to 5.50 cents, covered by earnings of 11.80 cents a share, compared with 6.5 cents. The directors expect that the final dividend will "at least be maintained at 7 cents a share."

Contributing in varying degrees to the result were newly-acquired automotive parts groups, Brown and Dureau and A. J. Dawson, the fibre packaging group Tasman UEB Holdings, and the discount store operator, Maxwell Electrical Retailing.

On the traditional paper products side, the company increased domestic sales by 16 per cent to A\$162m on 10 per cent higher production. But more important to the group was the performance of the international division, which recorded sales of 37,800 tonnes of paper and paperboard—well above the figure for the entire previous 12 months. The main gains in this sector came from a large order for pine logs from the Philippines and a 9,000-tonne product sale to China.

Directors point out they expect to continue their present rate of exports in the current half-year. However, they caution that the present rate of profit growth will not be maintained in the second half.

As a hint of things to come, the directors also add that they are "examining a number of other projects with a view to enlarging APM's international activities."

APM reveals that it has arranged further borrowings totalling A\$15m through the private placement of debentures and has negotiated a term loan from the Australian Resources Development Bank through the National Bank which will go some way to funding the group's extensive restructuring and expansion plans at its pulp and paper plants.

## MOTOR-IBERICA

## Nissan purchase breaks new ground

BY RICHARD C. HANSON IN TOKYO AND ROBERT GRAHAM IN MADRID

**NISSAN MOTOR** Company, the maker of Datsun cars and trucks, has made the largest capital investment so far by a Japanese motor company in a European motor manufacturer. The price of the 35 per cent share of Motor Iberica, of Spain, acquired by Nissan from Massey-Ferguson was just over \$40m, it was revealed yesterday.

Discussions are being held also, on how Nissan might cooperate (or tie up) with the Spanish Government owned heavy truck producer, ENASA. This has fallen into financial difficulties.

Nissan had been trying for several months to conclude the purchase of Massey-Ferguson's share in Iberica. Its immediate goal is to use Iberica, the truck maker and Spain's largest agricultural machinery manufac-

turer, as a base to produce its trucks for the European market (after Spain joins the Common Market). Such an assembly, however, is not expected to start for one or two years.

Eventually, the Spanish company could serve as the basis for producing passenger cars for Europe. The opening of this prospect has caused surprise in Spain.

Several other major motor manufacturers had been approached on the question of acquiring a stake in the Spanish company. Among them was Toyota, Japan's largest motor manufacturer, which declined to consider the offer.

Toyota says that it is conducting a feasibility study on the setting up of an assembly plant in Spain, but that no decision on this project has been taken yet. Toyota became the first

since last year to strengthen its Japanese company to acquire stake in a European motor manufacturer a decade ago when it bought, into a knock-down assembly operation in Portugal. The scale of this venture is small, however, and the Toyota stake is only 27 per cent. Nissan's stake in Iberica would thus appear to give it a lead over Toyota so far as European involvements are concerned.

The Nissan-Motor Iberica deal does not require Spanish Government approval—but the Government could have opposed this Japanese entry had it wished to do so.

Motor Iberica manufactures only light industrial vehicles, mainly under the Ebro mark, in addition to its better-known agricultural equipment. The company does, however, have a wide product range and enjoys a reputation for aggressive

management. Turnover in 1978 was Ptas 41,83m (\$633m), of which 30 per cent was accounted for by exports. Industry sources said that they would be surprised if Nissan contented itself with a minority stake, especially if it were to invest in saloon car production aimed at the European market.

The Nissan purchase scotches the project, once pressed by Motor Iberica itself, for the state-holding company INI, to buy out the Massey-Ferguson stake.

Reports of Nissan's interest in the loss-making heavy vehicle manufacturer, Enasa, are a new development. For over 18 months INI has been trying to sell off its 67 per cent stake in the company, but despite numerous multinational showings interest, no agreement has been reached. Nissan has moved quickly

non-equity involvement with motor companies in Europe, seeking technical agreements in Italy, France and elsewhere. Nissan at present uses local companies in Portugal and Ireland to assemble cars and trucks but the local content of these vehicles is not high enough to qualify as "non foreign" in the Common Market.

Nissan and Toyota are facing strong pressure to establish manufacturing presence in the U.S. and both companies appear likely to make a move in this direction within the next year or so. In the meantime, the smaller motor manufacturer, Honda, has gained a lead over both Japanese giants by announcing plans to build a car assembly plant in the U.S. and by signing an agreement to build a car in co-operation with BL at BL's Cowley works.

## Strong advance by Alcoa Australia

BY OUR SYDNEY CORRESPONDENT

**ALCOA OF AUSTRALIA** the integrated Australian aluminium group, boosted profit by 56 per cent from A\$80.9m to A\$84.9m (US\$105m) in the year to December 31, and has revalued its fixed assets to show an increase of A\$125m.

Total assets of the group now stand at A\$1,283m, up A\$283m following a year in which the group has undertaken a wide spread expansion to meet expected world demand for its products later this decade.

However, Sir Arvi Parbo, the chairman, yesterday pointed out that the latest result, though impressive, represented only 15 per cent, against 12 per cent previously on shareholders' funds and a meagre 8 per cent, compared with 6 per cent, on average total assets.

He said that domestic and overseas markets for alumina and aluminium were strong throughout the year, with total sales revenue rising 38 per cent, from A\$472m to A\$650m. Alumina exports accounted for most of the increase. Overall 80 per cent of total revenues were obtained from export sales.

Pointing to the need for increased capacity, Sir Arvi said that all plants had achieved record production to meet market requirements. Although

this had also improved plant efficiencies, some of the benefits had been eroded by "substantial cost increases, including those for fuel oil supplied to the Kwinana and Pinjarra alumina refineries."

Capital expenditure during the year totalled A\$91m against A\$53m, with a large part of the funds going to the construction of a third potline at the Point Henry smelter in Victoria and the new Wagerup refinery in Western Australia.

The company has embarked on an A\$700m-plus expansion programme in Australia including the new WA plant, expansion of the Point Henry facilities and the construction of a new smelter at Portland on the Victorian coast. A credit line of A\$484m has been arranged by a consortium of both local and international banking syndicates to help pay for the expansion programme.

Explaining the A\$125m revaluation, the directors pointed to the effects of inflation and the fact that the latest revaluation was done in 1977. They said: "The revaluation ensures the company accounts properly state the replacement cost. The 1979 result was not affected by revaluation, but higher depreciation charges will apply from 1980."

## Export-led recovery for Aiwa

BY RICHARD C. HANSON IN TOKYO

**AIWA COMPANY**, which is building a mini-components stereo plant in South Wales, reported a dramatic recovery in earnings last year on the strength of its revised export policy and a much weakened yen.

Net profit for the financial year to November 30 came to ¥244m (about \$1m), against a year earlier loss of ¥483m. Foreign exchange profits of about ¥1bn were made on exports, which counted for 45 per cent of all sales.

Overall sales were up 21.7 per cent to ¥38.5bn, after suffering a 14 per cent decline in 1977-78. Exports rose 20.5 per cent.

Aiwa, which has become a

leading seller of miniaturised stereo equipment as well as radio-cassette recorders, last year turned its efforts towards building up its markets in Europe and the U.S. with striking results. Sales in Europe and America rose 53 per cent, to capture a 65 per cent share of all the company's exports, compared with only 51 per cent the previous year.

The company in effect lessened its dependence on sales in the Middle East, particularly Iran.

Aiwa's effort to consolidate its gains in the industrialised market is illustrated by a decision taken last year to build its first European manufacturing

plant, in South Wales. Production is scheduled to begin in June this year. The initial capital investment will be £400,000 but this could rise to around £2m after two or three years of expansion. Some 60 people will be employed at the start.

Net earnings this year are expected to rise to ¥800m, on an 11.6 per cent sales increase to ¥43bn. This would be the best earnings performance since 1975-76.

Aiwa is an affiliate of Sony Corporation, which owns more than 50 per cent of Aiwa's shares. The company, however, prides itself in acting independently of its parent.

## Narrower profit margins at Ciba Geigy

BY JOHN WICKS IN ZURICH

**TURNOVER** of Swiss chemical group Ciba-Geigy rose by 11 per cent last year to SwFr 9,899bn (\$6.2bn), or by 17 per cent in terms of local currencies.

According to the parent company, the growth of turnover is "not fully reflected" in profits. The company attributes this to the effect on margins of worldwide cost inflation limited opportunities to adjust selling prices, and the renewed strength of the Swiss franc.

Elsewhere, sales of the photo-

graphic subsidiaries headed by the Ilford company in the UK and the Gretag CX group based in Switzerland and the U.S. went up 10 per cent to SwFr 600m. Turnover of the Airwick group improved by 20 per cent to SwFr 470m.

Interfood which owns the chocolate concerns Suchard and Tobler, has acquired a minority stake in the Belgian company, Chocolaterie Callebaut. Callebaut's turnover was BFr 2,83bn (\$100m) in 1978 and net profits were around BFr 90m.

## Norwegian shipping line below expectation

BY FAY GJETER IN OSLO

**NORWAY'S** largest shipping group, Wilhelmsen, says operating profits last year were lower than expected, due mainly to delayed deliveries of ships, costly conversions of the group's oil rigs, and periods of underemployment for parts of its fleet.

What it describes as the "primary operating result" before depreciation amounted to just under Nkr 300m (\$61m) compared with Nkr 335m in 1978. This was less than was needed to cover capital costs.

Profits improved in the final quarter, however, particularly for tankers and bulk vessels. The group expects this trend to continue in 1980, because most of the bulk and rig fleet has been chartered at improved rates, while the group's tankers have been employed on satisfactory charters for the first part of the year.

Gross freight earnings reached Nkr 2.2bn about the same as in 1978. Finance has been arranged for all the new vessels taken over last year, as well as those under construction.

The second-hand value of the fleet rose considerably during 1979, improving the relationship between aggregate mortgage obligations and the fleet's

## ANZ foresees year of consolidation

BY OUR SYDNEY CORRESPONDENT

**THE ANZ Banking Group** expects to receive no significant contribution to this year's results from the recently acquired Bank of Adelaide. Sir Ian McLennan, the chairman, told the annual meeting in Melbourne that it would be a year of consolidation, but that another good result could be expected.

Last year the group lifted profit from A\$76m to a record A\$107m (US\$138m). This enabled the bank to pay a 12 cents final dividend, making

22 cents for the year.

On the Bank of Adelaide, Sir Ian indicated that there were many problems to be sorted out—within the bank, which has extensive exposure to real estate loans through its wholly-owned finance subsidiary, Finance Corporation of Australia. "It is not expected to be a significant contributor to group earnings," he said, but added that in the longer-term "directors are confident the two banks will form a successful partnership, particularly in

South Australia where we are now the dominant banking group."

Commenting on the over-all outlook for the Australian economy, Sir Ian said that some upward adjustment to lending rates seemed inevitable, but he doubted that this would be sufficient fully to recover increases in banking costs. He described the year ahead as difficult, but said that the management was endeavouring to control costs and expand the group's income base.

## Amsterdam bourse may revise OTC rules

BY CHARLES BACHELOR IN AMSTERDAM

**THE AMSTERDAM** Stock Exchange has begun a study of ways of tightening up the regulations governing the over-the-counter (OTC) market in unlisted stocks.

At present, the Dutch secondary market is governed by rules drawn up by two Dutch brokers, Broekman's Commissie Bank and D. W. Brand. The prospect of a revised stock exchange law in the Netherlands, as well as of tougher EEC legislation for secondary markets, has prompted the exchange association to carry out a thorough review of the market.

The seven-man commission, on which representatives of the banks and stockbrokers sit, will look at the role of those stock

exchange members who specialise in the unofficial market, the way in which transactions are carried out, price movements and publicity requirements.

A tightening of the requirements of the secondary market would make it easier for companies to move on to the official Stock Exchange. It is not expected to deter companies seeking an unofficial listing, since they generally accept that they will be required to give more information to the public, according to Mr. H. P. Quarles van Ufford, of Broekman's.

The publication of company information, as well as more details of price movements and turnover volumes, would encourage more investors to use

the secondary market. There may be a need for a two-tier secondary market, with a relatively small number of more actively traded stocks for which tougher regulations apply than the mass of rarely traded stocks. The unlisted market currently lists around 800 stocks, but less than 70 are regularly traded.

The publication of more information would make the secondary market more attractive to investors, said Mr. H. J. Gerard, of the Nederlandse Credietbank. The sharp price movements which occur on the secondary market are often a cause of concern to investors. Restrictions on price movements, on the lines of those which apply to the official market, may be considered.

## KANSALLIS-OSAKE-PANKKI

(Incorporated with limited liability in Finland)

**U.S.\$30,000,000 Floating Rate Capital Notes 1983**

Notice is hereby given pursuant to the Terms and Conditions of the above-mentioned Notes that the Rate of Interest (as therein defined) for the Interest Period (as therein defined) from 23rd January, 1980 to 23rd July, 1980 is at the annual rate of 14 1/4 per cent. The U.S. Dollar amount to which the holders of Coupon No. 6 will be entitled on duly presenting the same for payment will be U.S.\$73,857.50 subject to appropriate adjustment (whether for the making of other appropriate arrangements of whatever nature) which the Fiscal Agent may make, without further notice in the event of an extension or shortening of the above-mentioned Interest Period.

European Banking Company Limited on behalf of European-American Bank & Trust Company (Agent Bank) 22nd January, 1980.

## BANCO DE LA NACION ARGENTINA

U.S.\$30,000,000 Floating Rate Notes 1983

Notice is hereby given pursuant to the Terms and Conditions of the above-mentioned Notes that the Rate of Interest (as therein defined) for the Interest Period (as therein defined) from 23rd January, 1980 to 23rd July, 1980 is at the annual rate of 14 1/4 per cent. The U.S. Dollar amount to which the holders of Coupon No. 4 will be entitled on duly presenting the same for payment will be U.S.\$73,857.50 subject to appropriate adjustment (whether for the making of other appropriate arrangements of whatever nature) which may be made in accordance with the Terms and Conditions, without further notice in the event of an extension or shortening of the above-mentioned Interest Period.

European Banking Company Limited on behalf of European-American Bank & Trust Company (Agent Bank) 22nd January, 1980.

**U.S. \$25,000,000**  
Floating Rate U.S. Dollar Negotiable  
Certificates of Deposit, due 21st January, 1985

**THE DAI-ICHI KANGYO BANK, LIMITED**  
LONDON



In accordance with the provisions of the Certificate of Deposit, the interest rate for the initial six months (from 16th January, 1980 to 16th July, 1980) will be 14 1/4 per annum. The interest payment date will be 16th July, 1980.

**Merrill Lynch International Bank Limited**  
Agent Bank

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FOR AND ON BEHALF OF

## THE ISLAMIC REPUBLIC OF PAKISTAN

U.S. \$57,000,000

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AGENT

JANUARY 1980







## Companies and Markets

## First offer of Russian timber

By A. Correspondent

EXPORTERS: The Soviet state selling organisation for forest products, has circulated its first offer of softwood for 1980 shipment to UK importers. The offer is based on the five main grades shown a rise of around 14 per cent. The nominal quantity offered is 300,000 cubic metres. Importers have until January 28 to make their applications. In contrast to the past few years, this year's offer is priced in straight sterling with no special clause linking prices to any other currency.

First reactions from softwood importers were that the timber was competitively priced but that there would not be the same rush to buy that has been seen in the past two years. The absence of a currency clause means that if sterling rises in value then comparative Scandinavian stocks will be cheaper unless there is a continued rise in world prices. A fact that the timber would not be expected to be a second schedule can be expected at prices which would reflect any subsequent change in world prices.

The Russian selling organisation has already indicated that the total amount of softwood available for sale to the UK this year is probably around 1.1 million cubic metres, a reduction of about 20 per cent on 1979. Bearing this in mind it is expected that after reflection the trade here will take up the full amount of the first offer with sufficient enthusiasm to give sellers the opportunity of adding to the nominal quantity if they wish.

## Bank boosts Royal Show

By Our Commodities Staff

CATTLE PRIZES at this year's Royal Show will be increased by about 30 per cent thanks to sponsorship worth £20,000 from the National Westminster Bank. This will bring total prize money for all classes of livestock to nearly £50,000.

The NatWest's money is also being used to hold entry fees at the 1979 level and to improve exhibitors' facilities.

Mr. Arthur Williams, senior executive of the bank's agricultural unit, said in London yesterday that the sponsorship confirmed NatWest's commitment to the agricultural industry.

## Speculators drive copper price to record level

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES surged to new peaks on the London Metal Exchange yesterday after a new wave of heavy speculative buying. Traders claimed that the suspension of trading on the New York silver market — and the subsequent announcement that dealers there would be confined to liquidating existing sales and purchases only — triggered off more interest in the base metal markets.

In any event copper three months wirebars jumped by \$5 to a record \$1,412.5 a tonne. Even more significant was wirebars gained \$121.5 to \$1,318.5. Although this is below the all-time peak of \$1,400 reached in early 1974 it gives evidence to reports that some powerful speculators are taking actual delivery of copper rather than just buying "paper" futures.

At the same time the shrinking availability of copper stocks in the LME warehouses was emphasised by yet another decline last week — a fall of 2,900 tonnes cutting total holdings to 120,125 tonnes. Much of these stocks are thought to be in strong hands, and if Middle East speculators acquire large holdings the market could

be severely squeezed just like gold and silver.

Other base metals also advanced strongly. Cash tin gained \$110 to \$7,650 a tonne, despite a sharp rise in warehouse stocks up by 640 to 2,820 tonnes. The announcement by the International Tin Council on Friday that further talks were to be held in February with the U.S. on stockpile sales of tin sparked off fears that the stockpile releases might be delayed once again.

Lead continued its recent recovery in spectacular fashion with the cash price jumping by 40 to \$539 a tonne. Warehouse stocks declined by 825 to 10,400 tonnes and there is now a sharp squeeze on nearby supplies.

Nickel prices rose on renewed rumours, yet to be confirmed, that another producer price increase is imminent. Cash nickel closed \$90 up at \$3,020 a tonne.

Warehouse stocks of nickel fell by 96 to 8,312 tonnes; zinc stocks fell by 1,325 to 46,500 tonnes. Aluminium stocks increased by 3,800 to 25,700 tonnes and LME silver holdings rose by 80,000 to 13,020,000 ounces.

Stewart Fleming writes from New York: Silver trading on New York Commodity Exchange

(Comex) has been confined to liquidation of existing positions. The Comex Board announced this last night after trading had been totally suspended for most of the day.

The earlier suspension came amid signs of growing concern in the futures markets about the mounting speculation in gold and silver particularly.

On Friday the International Monetary Market Board of Chicago's Mercantile Exchange raised the margin which investors must put up against a gold contract to \$9,000. A year ago it had been \$1,200.

The IMM in Chicago has also widened dramatically the limits within which gold can trade on a single day to the point where if the daily limit (which has been increased from \$30-50) is repeatedly broken trading can take place on the fifth day without price limit.

These steps raise significantly the risk to traders and are aimed at curbing speculation. There are fears that the gold market which has risen so dramatically could also fall sharply, perhaps straining traders' finances.

At the beginning of the month Comex introduced new rules aimed at curbing silver speculation.

## New peak in sugar market

WORLD SUGAR values climbed to a new 31-year peak yesterday. In the morning the London daily raw price was lifted \$1 to \$193 a tonne and at the close the May position on the futures market was quoted at \$200.725 a tonne, up \$1.375.

Dealers said the continued rise appeared to be influenced by the early advance in gold. Other soft commodity markets were relatively quiet, however.

Cocoa was unsettled by an announcement in Rio de Janeiro that Brazil has not yet finalised its new crop marketing policy. Despite freezing 300,000 bags of beans and products for export. The May position ended the day \$13 down at \$1,427.5 a tonne.

In Accra, meanwhile, the Ghana Cocoa Marketing Board said it purchased 22,448 tonnes of cocoa in the 14th week of the 1979-80 marketing season ended January 17.

In the 13th week of the season, purchases totalled 22,195 tonnes. Cumulative purchases for the season to date are now 228,890 tonnes.

The latest figure compares with purchases of 11,826 tonnes in the 14th week of the 1978-79 season ended January 11, 1979, and cumulative purchases to that date of 311,595 tonnes.

## Financial wrangles hit farm aid talks

BY A CORRESPONDENT

AT THE third governing council meeting of the International Fund for Agricultural Development (IFAD), most of the interest centred on an issue that was not even on the agenda — the future level of OPEC's contributions to the fund.

After the announcement last Wednesday from Vienna of the OPEC Special Fund it was hoped that Ibrahim Shihata, its director, would release details of an increase in OPEC's funding of IFAD. But Shihata did not address the meeting which ended with a general resolution, characterised by Jamaica as "weak", committing all member nations to replenish IFAD's funds by an unspecified amount.

Earlier in the four day meeting the U.S. delegate, Thomas Ehrlich, had called upon OPEC countries substantially to increase their contributions to IFAD to take into account "the uniquely favourable circumstances of the oil exporters and the onerous problems created for developing countries unfortunately required to import petroleum". The U.S. statement reflected the feelings of the majority of Western delegates,

though OPEC and Third World countries appeared unimpressed.

It was pointed out that any substantial increase in OPEC's contributions would have to be borne by Saudi Arabia, Iran and Venezuela. It was unrealistic to expect increases from OPEC countries such as Ecuador, Gabon and Indonesia when their level of development entitled them to assistance from IFAD. Among the anomalies between the relative contributions of OPEC and the West was Canada's \$37m grant to IFAD compared with Nigeria's \$26m, and Algeria's \$10m grant compared with Australia's contribution of only \$8m.

It seems that the position of Iran was the principal cause of OPEC's reticence at the meeting. Under the Shah, the Iranian Government had placed \$125m to IFAD at a time when Iran was producing 6m barrels of oil a day. The Saudis, on the other hand, pledged \$105m when their level of oil production was 8m barrels a day.

The Iranians have now reduced oil production to 3.5m barrels, while the Saudis have stepped up production to 9.5m

the West 57 per cent (\$590m) barrels a day. So a commitment to a specific increase in OPEC funds for IFAD awaits internal agreement on the Iranian issue.

A second problem arising from the Iranian revolution appears to have been solved to the general relief of IFAD delegates. At a group meeting of delegates on Friday morning the Iranian Ambassador informally indicated that Iran had every intention of paying in full the \$125m promised to IFAD by the Shah.

When IFAD was initiated in 1976 OPEC put up \$400m on the condition that the developed countries would put up \$600m. After some six months of wrangling, during which the West hoped for a 50:50 ratio, it was agreed that OPEC should put up 45 per cent (\$455m) and the West 55 per cent (\$550m).

In the coming negotiations, now that the principle of replenishment has been endorsed, it is expected that OPEC will revert to the initial proposal of 40:60 while the West will demand a 50:50 ratio. Inevitably a compromise figure will be reached, probably at the existing level of 45:55.

## Boycott grain to be bought up

WASHINGTON — President Carter ordered the Federal Government to buy up of the 2.5m tons of maize and wheat which American longshoremen have refused to load for shipment to the Soviet Union.

The International Longshoremen's Association began a boycott of Soviet crop shipments two weeks ago to protest at the Soviet Union's incursion into Afghanistan.

Mr. Stuart Elmsztat, White House domestic policy adviser, announcing the action said it was being done to relieve congestion at ports and grain elevators and to protect farm prices.

Mr. Elmsztat said the Department of Agriculture would work with grain exporters to divert unshipped grain to fill orders from other countries.

He said any wheat which cannot be diverted will be bought by the Agriculture Department's Commodity Credit Corporation

for use as part of a 4m ton food security reserves which the President wants Congress to create.

Unshipped maize and soybeans will be used to expand the U.S. Food for Peace programme which the President will ask Congress to increase by 450,000 tons in the current financial year, ending September 30, and by another 450,000 tons in fiscal 1981.

Agriculture Department officials said the wheat, maize and soybeans at ports or in trains and barges would stay there unless they could be sold to other export markets.

The CCC would buy offsetting amounts of the commodities at local markets to be used by the food reserve or by the Food for Peace programme.

Meanwhile, Brazil has officially informed the Administration that it will not take any measures to stop soy sales to the Soviet Union, but it will not

take any specific steps to replace U.S. sales either, the Foreign Ministry said in Brasilia.

The official reply follows a meeting last Monday in Washington between the U.S., Brazil and Argentina where they discussed the U.S. decision to suspend grain and oilseed sales to the Soviet Union.

The Ministry said trade with the Soviet Union would continue normally. Brazil would not impose any artificial restrictions on its soy sales, nor would it take advantage of the U.S. boycott.

Brazil could have up to 2m tonnes of soybeans and around 500,000 tonnes of maize for export in the coming marketing year starting in March. Some of this could go to the Soviet Union. Brazil shipped 45,300 tonnes of soybeans to the Soviet Union last year, \$2,000 in 1978, \$52,000 in 1977 and \$116m in 1976.

Reuters

## Malaysia seeks rubber pact headquarters

BRITAIN HAS been asked to back Kuala Lumpur as the prospective site for the headquarters of the new International Natural Rubber Agreement.

The UK Government has been pressing for the Agreement to be based in London. However, at a meeting in Kuala Lumpur yesterday Mr. Paul Leong, Malaysia's primary industries minister, told Mr. Peter Blaker, UK Minister of State for foreign and Commonwealth Affairs, that Kuala Lumpur had the backing of virtually all rubber exporting members and 44 per cent of the importers.

In Washington, meanwhile, officials at the Federal Emergency Management Agency (FEMA) denied rumours circulating in London and far east markets that the U.S. was planning a near-term supply buildup, specifically in its natural rubber stocks.

## French view of EEC farm crisis

BY JOHN CHERRINGTON IN BRUSSELS

MAXING WHAT could well be a tactical retreat from a lunchtime confrontation over lamb with UK Agriculture Minister Peter Walker and the EEC Farm Commissioner Finn Gundelach, the French Minister of Agriculture, yesterday gave French TV viewers his view of the present situation in the negotiations leading up to the next Community price review.

As a participant myself on a very vague line from here I watched amazed at with a freedom never granted to any British Minister by the BBC. Mr. Mehaigrieu demonstrated with a succession of captions that although the milk production of the Community and its cost had increased, France's own production had increased much less than that of other countries.

For instance, of Britain and the Netherlands. He took no notice of, or perhaps did not hear, my own contribution to the effect that because France had double the number of dairy cows the French production increase in sheer quantity was a material cause of the surplus.

This production increase, he continued, came mainly from the larger more industrialised dairy farms. The average small French dairy farm of about nine cows had no alternative and any co-responsibility levy such as the Commission is proposing should only apply to the larger and more irresponsible farms in Britain or elsewhere.

It was really a social question, he said, and large farmers could if they felt like it go to cereal production which represented only a fifth of the cost of the dairy regime.

And what do you think of this Mr. Cherrington," he asked. "Well," I said, "if the Common Agricultural Policy is as you say a social measure should not the excessive costs and their cure be made a national and not a Community responsibility? Our own Mr. Walker," I continued, "had been floating this recently and also several suggestions have been made of having quotas on a national basis so that each country would be responsible for its own surplus." There was no reply.

I continued: "When are you going to open the market to British lamb?" I got the same answer as Mr. Walker had had on the same subject lately to the effect that it was a social problem and nothing should be done too quickly.

## BRITISH COMMODITY MARKETS

## BASE METALS

COPPER—Record levels were attained by forward metal in hectic trading on the London Metal Exchange. Forward metal closed at \$1,412.50, up \$5 from \$1,407.50. The market was heavily speculative buying more than outweighed heavy selling. However, the profit-taking gained the upper hand on the late hour, where forward metal finally traded at:

	3m	6m	12m	15m
Wirebars	1395.00	1400.00	1412.50	1418.00
3 months	1395.00	1400.00	1412.50	1418.00
6 months	1395.00	1400.00	1412.50	1418.00
12 months	1395.00	1400.00	1412.50	1418.00
15 months	1395.00	1400.00	1412.50	1418.00

Amalgamated Metal Trading reported that in the morning cash wirebars traded at \$1,265.00, 95, three months \$1,273.75, 90, 75, 70, 72, 71, 72, 73, 75, 77, 80, 82, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

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INSURANCE BASE RATES

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## LEGAL NOTICES

No. 00202 of 1979  
IN THE HIGH COURT OF JUSTICE  
Chancery Division

CONSOLIDATED PLANTATIONS LIMITED  
and  
THE COMPANIES ACT 1948  
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 17th day of December 1978 confirming the reduction of the capital of the above-named Company from £100,000.00 to £24,377.65 and the Minute approved by the Court showing with respect to the capital as altered the several Particulars required by the above-named Companies on the 20th day of December 1978.

Dated the 18th day of January 1980.  
LINKLATER & PAINES,  
Solicitors to the Company.

No. 00201 of 1979  
IN THE HIGH COURT OF JUSTICE  
Chancery Division

SIME DARBY HOLDINGS LIMITED  
and  
THE COMPANIES ACT 1948  
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 10th day of December 1978 confirming the reduction of the capital of the above-named Company from £100,000.00 to £27,428.10 and the Minute approved by the Court showing with respect to the capital as altered the several Particulars required by the above-named Companies on the 20th day of December 1978.

Dated the 18th day of January 1980.  
LINKLATER & PAINES,







# AUTHORISED UNIT TRUSTS

[illegible]

# INSURANCE PROPERTY BONDS

## OFFSHORE & OVERSEAS FUNDS

Continued on previous page







[illegible]

20	Pharm. & Chem. Equip.	15	Burns Oil	15
21	P & O Div.	16	Chartered	16
22	Plastics	16	ICMA	16
23	Power Elect.	16	Premier	16
24	R.H.M.	17	Shel	17
25	Bank Grp.	17	Treacord	17
26	Reed Indus.	17	Ultramar	17
27	Seas	17		
28	Tesco	17		
29	Thorn	17		
30	Trust Houses	17		
31	Tube Invest.	17		
32	Unilever	17		
33	Unilever	17		
34	Wooler	17		
35	Yield	17		
36	Flower	17		

A selection of Equities traded is given on the London Stock Exchange Report page.



